World news

No. 30,161

Business summary

companies. Page 18

EUROPEAN Monetary System: The

Irish punt remained the weakest currency within the EMS last week.

However it was comfortably inside

its divergence limit because re-newed dollar strength limited the attraction of the D-Mark and re-

moved any downward pressure on

EMS Feb 13 ,1987

Poeition Feb 13

the weaker members. Trading was

rather quiet as the market waited

to see if there would be a meeting of

G-5 finance ministers. Speculation

about a dollar support package en-couraged traders to cover short po-sitions which accounted for the dol-

in an extra Australs 1bn (\$750m) to

Government coffers this year,

FRENCH and West German nu

ALUMINIUM prices have risen to their highest level for 21 months

amid reports of shorts of Metall in stockholders' hands, Page 5

RAPPI. South African pulp and pa-

per maker, benefited strongly last year from a combination of in-

creased domestic sales, higher export prices and favourable ex-

TEXTLES: Fresh legislation to in-

change rate shifts, Page 22

store last November, Page 4

for a CS480m (US\$358m) private

placement of long-term mortgages secured by the mail. Page 22

SCHLUMBERGER, US oilfield ser-

vices and electronics company, lost

\$2.02bn or \$7.02 a share after tax

sources. Page 4

Indonesia, Page 18

GRID

Monday February 16 1987

D 8523 B

Amal lifts Siemens siege of wins order

refugee for US exchange camp

Thousands of starving refugees streamed from south Lebanon's Bashidiyeh camp when the Shi'ite ics company, has overcome opposition from the US telecommunica Amal militia movement partly lifttions authorities to win its first ored its siege for the first time in 17 der for a large public exchange switch from one of the seven American regional telephone operating

The situation in Bourj al-Barajneh camp near Beirut remained bleak despite the arrival of supplies of flour and milk powder after in-itial attempts to alleviate famine conditions failed.

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In Beirut, Druze leader Walid Jumblatt asked the Shi'ite Moslem Hizbollah to release British church envoy Terry Waite. Page 3

Detainee released

A former aide to Lebanese president Amin Gemayel, Jean Obeid, seized by unidentified gunmen in Moslem west Beirut last week, has been released and delivered to Syrian headquarters, official sources

Tehran raid

Iraq said its aircraft raided Tehran and eight other towns and cities, including the holy city of Qom, to make Iran's leaders understand "that insistence on war means more destruction for Iran."

Sri Lanka deaths

At least 34 people were killed in Sri Lanka as security forces continued their offensive against Tamil guer-rillas in the northern and eastern provinces. Among the dead were 16 rebels who died when explosives they were fixing to a water tanker exploded.

Running for right

General Hendrik van den Bergh, who headed South Africa's Bureau of State Security in the 1970s, plans to run for parliament as a member of the right-wing Conservative Party, which opposes all moves to end

Tunnel divides UK

Forty-four per cent of Britons think the Channel Tunnel should be built

Terrorist murders

Italian police launched a nationwide search for up to eight mem-bers of a terrorist Red Brigades unit who shot dead two policeme in Rome before robbing a postal van of L1.2bn (\$880,000).

Attacker killed

A man who threw a hand grenade at Hadi Khamenei, younger brother of Iranian President Ali Khamenei, was killed by revolutionary guards, security officials said. One person was killed and Khamenel was injured by the grenade.

Talks blackout

A joint Jordanian-Palestinian committee imposed a news blackout, on talks in Amman on providing wel-fare aid to 1.3 million Palestinians living under Israeli occupation.

Arab unrest

Seven Israeli soldiers were wounded when Arab youths stoned an army bus near a refugee camp north of Jerusalem. There were also stone-throwing incidents in Gaza and the West Bank city of Nablus. where a tourist on a bus was cut by

Killer cyclone

An Indian Ocean cyclone which killed seven people on the French island of Réunion before moving on has reversed direction and is again

threatening the island. Money in muck Treasure-hunters near Tokyo

last year following a profit of \$351m or \$1.17 in 1985. Page 19

braved a sewage canal when they saw hundreds of thousands of yen floating to the surface. Police in Chiba City retrieved notes worth

Avalanche of law suits may follow Wall St trading scandals

LEADING US investment banks could face an avalanche of costly trading scandals exposed last week. Even for the largest of Wall Street houses, the magnitude of civ-il penalties potentially involved could threaten capital adequacy and jeopardise plans for future ex-

Entanglement of the US securities industry in a series of crippling lawsuits could be among the most important long-term consequences of the insider trading scandal ac-cording to some institutional investors and corporate legal experts. The firms which appear most im-mediately threatened are Kidder Peabody and Goldman Sachs. Kidder Peabody's former head of merg-lawyer with close knowledge of the

ers and acquisitions. Mr Martin Sie- proceedings,

gel, admitted in court on Friday that he had been selling inside ininsider trading on Thursday. Spokesmen for both Kidder Pea-

operations at Goldman Sachs, Mr Robert Freeman, was charged with

body and Goldman Sachs have re-

peatedly denied any wrongdoing on the part of their firms.

Goldman Sachs has been sued already by FMC, the Chicago-based chemicals company which it had advised in a recapitalisation plan. But the case against Goldman, which had previously been named only a conditional plan with had previously been made only a conditional plans with only as a co-defendant along with Mr Ivan Boesky, has been tremen-dously strengthened by last week's court revelations, according to a

BY ANATOLE KALETSKY IN NEW YORK

In the FMC suit, Goldman Sachs was originally implicated only be-cause of the confession of Mr David ly those at a senior level. Brown, a junior investment officer, that he had sold information to Mr Boesky. The bank was expected to disclaim responsibility for Mr Brown's actions on the grounds that in damages jointly from Mr Boesky, he was a junior employee - an "unpredicable disloyal servant," accord-ing to one lawyer -acting purely on his own initiative. However, if last week's charges are upheld against Mr Freeman, an extremely senior executive, the bank would be much more vulnerable. One doctrine which would be used against it is "negligent supervision." This holds an empolyer liable for failing to de-

actions by its employees, particular-While FMC is suing Goldman

Sachs specifically only for repayment of \$17.5m in investment banking fees, it is also asking for \$225m has estimated this to be the excess cause of the ramping up of its share price through insider trading. Suits like this, along with the possibility of punitive damages of up to three times the losses actually sustained pose the real threat to investment banks caught up in the imbroglio. Once all the criminal insider tradlawyer predicted. The main res- This has probably deterred some traints on such cases at present are the procedural rules for Grand Jury vant information is confidential un- sought from firms with huge capitil an indictment is actually read

However, once this restraint is lifted suits could be brought not only by firms such as FMC, which had paid excessive prices in financings and takeover bids, but also by individual and institutional investors in the companies concerned.

A whole batch of class actions has already been brought against Mr Boesky. But the size of the comnsation fund created by Mr Boesky in his agreement with the securi-

ing investigations are over, there ties and exchange commission has will be a flood of other cases, one been very limited - a mere \$50m. companies and lawyers seeking much higher damages. Now, howstigations under which all rele-ever, much larger sums could be

The awesome scale that corporate legal liabilities can sometimes assume in the US - especially for firms in unpopular industries perceived by the public as having "deep pockets" - was illustrated last week when the Texas Appeal Court upheld a \$9.1bn judgment against Tex-aco, in a case involving an alleged breach of contract and no charges

Handcuffs and tears on Wall Street,

EEC farm price deal likely to spark fresh trade dispute with US

A MAJOR new transatiantic trade dispute looked probable last night after the European Commission finally agreed its long-awaited package of farm price proposals at a meeting in Brussels.

In spite of fierce opposition from some of the 17 members of the Commission, the EECs executive body decided to press ahead with controversial plans for a hefty new olls and fats tax and face the expected outcry from the American

One US diplomat in Brussels commented that if the measure is approved by the EEC's Council of Ministers, "it will make the earlier problem over lost maize sales to the Community look like a pre-sesson

warm up."

The farm package accord - held in unexpectedly on two previous occasions - came right at the end of an all day Commission meeting The chart shows the two constraints on European Monetary System ex-change rates. The upper grid, based on the weakest currency in the sys-tem, defines the cross rates from which no currency (except the lim) may more more than 2% per cent. an an day continued in meeting called primarily to discuss much more far-reaching plans for an overhaul of EEC finances. Designed to put member states contributions The lower chart gives each curren-cy's divergence from its "central rate" against the European Currenon a more permanent basis and place the financial burden more cy Unii (ECU), itself a basket of Eufairly on the wealthier countries, the tightly guarded ideas drawn up CIBA-GEIGY, Swiss pharmacout-cal group, protested strongly against the use of its ahares in a sion President and Mr Henning Christopherson, the Budget Com-missioner, were accepted by the covered warrant bond launched by ICN Pharmaceuticals of California Commission and will be formally presented to representatives of the European Parliament in Strasbourg TAX AMNESTY was approved by Argentina's legislature. The Minis-try of Finances hopes it will bring

While these are of crucial longterm significance to the functioning



involve a tax maximum of Ecu 330 (\$375) per tonne on all imported and domestic vegetable and marine oil

The tax, which would be applied expensive Community support for the oils and fats regime. It is seen by Mr Frans Andriessen, the Agriculture Commissioner, as being of crucial importance to the reform of this sector. to crushers of the seed rather than

of the Community, the plan for an oils and fats tax could have more immediate repercussions. Strictly speaking called a "stabiliser me-chanism," the proposal is thought to and that it will be passed on to consumers on Wednesday.

Liss were when Mr Delors unveils his proposals in detail to the full session of the European Parliament on Wednesday.

US and Japan to meet on chips, · Critics even within the Commischanism," the proposal is thought to - and that it will be considered

highly provocative by the US so soon after the settlement over

Latest available figures (for 1985) show that US soyabean exports to the EEC totalled \$1.6bn, although they have been higher in the past. American officials say that, while the tax will not directly hit EEC imports, the proceeds will be used by the EEC to give further support to their own producers. Moreover as the last major agricultural product which can be imported into the Community free of charge, the is-sue is considered in Washington to be of highly symbolic significance.

Flerce US lobbying can be expected to start soon with a view to blocking the proposal in the Council of Ministers. Britain, West Germany, the Netherlands and Denmark are all known to oppose the idea so should constitute a "blocking minority" under the Community's voting rules.

Discussion of the other prickly including that made from sunflower question to have held up the Com-seed, rapeseed, olives and, erucial-like southeans. In the com-mission's farm price package – agri-like southeans. cluded which will allow the Commission to formally unveil its pro-

> summit in 1984, will start in earnest this week when Mr Delors unveils

Airbus to press Moscow frees ahead with plan leading for new airliners dissident

By Lionel Barber in Washington

A PROMINENT Soviet Jewish dissident, Mr Iosif Begun, has been freed from prison in the Soviet Union, Mr Georgi Arbatov, a Soviet

Mr Arbatov, one of a group of Soviet Communist Party members touring the US to promote Mr Mi-khail Gorbachev's reform pro-gramme, said of Mr Begun on US television: "He is free now, I can tell

you. His case has been resolved."

There was no indepedent confirmation from Moscow last night that Mr Begun had been freed. His wife said she had not received any news.

Mr Begun's case has become immittee of the US cabinet decided on Friday that US complaints that the Airbus is subsidised by European governments should be handled within the framework of the Genportant as a test for Mr Gorbachev's attempt to improve the Soviet record on human rights and to release some dissident intellectuals as part eral Agreement on Tariffs and Trade (Gatt) and rejected a call for of his campaign for "glasnost" or more openess in Soviet society. Mr Begun was not included last

week on a list of 140 Soviet dissidents freed by decree as part of Mr Gorbachev's efforts to improve his country's record on human rights. A Soviet spokesman singled out Mr Begun, a writer on the plight of Soviet Jews, saying he was not given a pardon because he refused to write an appeal for clemency or

sign a promise that he would not When Mr Begun was not released last week, crowds gathered in cen-tral Moscow's pedestrian nail on Thursday to protest. They were dissersed by security police and sever-

Western reporters were attacked, Continued on Page 18 Pravda wants 'more relaxed' foreign reporting, Page 4, Editorial comment, Page 16

BY MICHAEL DONNE IN LONDON AND WILLIAM HALL IN NEW YORK AIRBUS Industrie, the European In a communiqué following their meeting, the ministers "noted with satisfaction that these aircraft (the airliner manufacturing group, in-tends to press ahead with development of its two new airliners, the A-330 and A-340) matched well the medium range A-330 and the long range A-340, despite US criticism of market, and showed significant economic advantages compared with competing products." They also took note of the "positive reaction of airlines to Airbus Industrie's pro-The US Government will not take

immediate retaliatory trade action against Airbus following the European decisions by has commissioned a study of European sales Although the communic and financial practices to determine short of committing any of the gov-ernments to funding the new ven-tures, there was little doubt in the if they violate international trade A top level economic policy comminds of Airbus Industrie officials over the weekend that such support would be forthcoming to enable for-

mal approval for the new projects by the end of March. Mr Jacques Chirac, the French Prime Minister, speaking at the A-320 roll-out left little doubt about immediate unilateral retaliatory ac- the French Government's intentions when he commented that it Mr Franz-Josef Strauss, chairwas necessary for Airbus to launch man of the supervisory board of a new line of aircraft "to ensure the Airbus said at the roll out of the future of the consortium. This is 150-seat A-320 in Toulouse on Satparticularly true when faced with

urday that the group hoped to be able to launch the new jets "without additional trade conflicts. But I Mr Geoffrey Pattie, UK Minister of Trade and Industry, commented that the UK Government was still must warn everybody not to be mistaken. We will not allow political agitation to distract us from the considering the detailed application for up to £750m (\$1.13m) of launch The four governments in the Airbus group - the UK, France, West
Germany and Spain - clearly supreach a decision in the near future.

reach a decision in the near future. The prevailing view among the Airbus partners is that some UK Government cash will be forthcoming although it may not be all that British Aerospace had sought.

French relaunch plan for rival to Eurolighter, Page 2

clear plant manufacturing indus-tries have decided to cooperate for the first time on a contract to design a 800 MW nuclear reactor for European state telecom groups may collaborate on data networks

BY DAVID THOMAS IN LONDON

basis for large companies.

The project, which might require the setting up of a joint venture company, is an ambitious idea, troduce quotas on US imports is to be set before Congress within weeks, according to industry which would pitch the authorities SANDOZ, Swiss pharmaceuticals into headlong competition with some of the world's largest compugroup, has questioned the size of a FFr 257m (\$43m) damages claim an-nounced by the French Governter and computer services compa-

ment last week to meet the company's responsibility for the Rhine Managed data networks are private lines used by large companies for their data traffic. They are used pollution after a fire in a chemicals mainly for in-house business, but are increasingly being used by com-panies to communicate with cus-TRIPLE FIVE, owners of West Edmonton Mall, the world's biggest shopping centre, has been forced by investor resistance to shelve plans omers and suppliers.

The UK Department of Trade and Industry at first opposed British participation in studies on the subject, because it believed the idea could create a pan-European cartel in value added services, an area that it wants to open up to greater competition. Large computer and computer

EUROPEAN telecommunications anthorities are studying a plan to collaborate in providing managed data networks on an international enterpolation of the company would be able to order all the requirements for its pri-

However, the DTI has now reluctantly accepted that Britain, rope from the telecommunications through British Telecom, should authority servicing its European participate, because of the interest headquarters.

by the Conference of European
Postal and Telecommunications adsome participants believe a jointministrations, which represents the telecommunications authorities of tional body would have to be set up

pleted by October. The study is being funded by the

nications authorities in

Corporate

vate data network throughout E

shown by other European countries.

The pan-European approach has been discussed for about two years by the Conference of European Postel and Taleogrammunications and Taleogrammunications and Taleogrammunications and the conference of European Postel and Taleogrammunications and Taleogrammunications and the conference of European Postel and Taleogrammunications and the conference of European Countries and Taleogrammunications and the conference of European Countries and Taleogrammunications and the conference of European Countries and Taleogrammunications and the countries and the

The Conference has now commissioned the first full-scale study, to begin next month. It should be comstaff in each country, which customers could call on to sort out any

Participants stress that the pro-Austria, Belgium, Denmark, ject is still at an early stage. The France, Finland, West Germany, Ireland, Italy, the Netherlands, Norway, Spain, Sweden, Switzerland ments or technical barriers in making the stress that the proing the networks of the different The study will look at two key European countries fully compatiservices companies, such as IBM, conditions, which the project would ble.

restructuring: Jardine

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port this attitude.

product range again."

The four ministers responsible

for the Airbus programme, in Tou-louse to discuss the new projects,

reaffirmed their support for the "ef-

forts being made by Airbus Indus-

trie and its partners to extend their

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This constitutes our understanding of U.S. tax legislation at the present time.

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THE MONDAY PAGE INTERVIEW

of Rover Group talks to Hazel Duffy, Page 8

Graham Day

Editorial comment: Big Bang, so far so good; Soviet dissidents 16 Insider dealing: handcuffs and tears on The audio war: no stopping the DAT Beyond the pall: Americans and Electricity 9–13 Japanese banking Section III

secures its empire 14

French relaunch plan for rival to Eurofighter

FRANCE has relaunched its design, "including those coun project for a new fighter aircraft and hopes to bring other European partners, including West Germany, into the pro-

The new fighter, based on the Rafale prototype built by the Dassault group, is a rival to the Eurofighter project which groups British, Italian and West German constructors, but brown house the lawar agest of West German constructors, but France hopes the lower cost of the Rafale-based programme could lure away the West Germans. Belgium and Spain, which are not involved in the Eurofighter, could also join. Mr Jacques Chirac, France's Prime Minister, said at the weekend that the fighter would

be flying by 1996, when the French air force will need to replace its fighters.

Speaking on a visit to Toulouse, centre of the French acrospace industry, he said the cost of the French project was half the "very optimistic evaluation" of the joint European fighter programme. He hoped that other European

tries one would not think of immediately."

Mr Charles Hernu, the former defence minister, also said he hoped the Rafale project would allow France to overturn the Eurofighter alliances.

French consortium brings Avions Marcel Dassault-Breguet Aviation together with the electronics group Thomson and the state-controlled engine producer Specma. The Rafale prototype uses engines from General Electric of the US.

Mr Chirac and Mr Andre Giraud, the Detence Minister, were at pains to make clear that the creation of the consortium did not mean a snub to Mr Serge Dassault, chairman of Ariese Marcel Dassault and son Avions Marcel Dassault and son of its founder.

They said that Dassault, which has in the past preferred to take sole charge of the development of new aircraft, was clearly still leader of the project and denied persistent reports of a personal quarrel between Mr Giraud and Mr Dassault.

Dragonair set for fresh clash with Cathay Pacific

BY DAYID DODWELL IN HONG KONG

DRAGON AIRLINES, the re-cently founded Hong Kong aviation group, intends to make a fresh bid for rights to operate to destinations served by Cathay Pacific, putting it on course for new clashes with Cathay, the territory's main

Mr Steve Miller, Dragonair's managing director, confirmed that applications have been made to operate services to Peking and Shanghai in China, and to Kuala Lumpur, Penang, Johore Bharu, and Kota Kinabalu in Malaysia.

Dragonair applied unsuccestfully last year for the right to operate these services. Those to Peking and Shanghai were fiercely contested by Cathay, which had fought over several years for the right to serve these cities and was determined not to see its interests jeopar-dised.

China will set up six independent airline firms by 1988 to operate international and domestic services under a major reform of aviation, the official New China News Agency quoted Hu Yizhou, director-general of the Stateowned airline company,

Dragonair has since won the right to fly to 14 lesser cities in China, but none of these offer the promise of profits on the scale of services to Peking and Shanghai. After almost two years in existence, Dragonair has only recently won the right to operate any scheduled ser-vices. These are to three desti-nations in Thailand. It has otherwise been forced to oper-ate charter services around the

region, many on an ad hog basis.

Punjab chief hits back as priests fail to topple him

By John Elliott in New Delhi

Militant Sikh priests in the troubled northern Indian state of Punjab failed at the weekend to bring down the ruling state government, headed by Mr Surjit Singh Barnala, and install a regime that would take tougher opposition line with the central Indian Government of Mr Rajiv Gandhi.

Only a handful of 47 state Only a handral of 47 size legislature members of Mr Barnala's Akali Dal Parly followed the edict issued by high priests to resign and pledge their loyalty to a new united Akali Dal party, formed by the priests and other decidents.

Mr Barnala yesterday took Mr Barnala yesterday took action against those who had followed the priests. He dismissed Mr Harbhajan Singh Sandhu, Agriculture Minister, who defected at the end of last week and expelled 11 other local leaders from his party. He has asked the state assembly speaker to disqualify Mr Sandhu, in line with Indian legislation on pollitical defections.

with Indian legislation on pol-litical defections.

Efforts by the priests and others to remove Mr Barnala, who is supported by Mr Gandhi's Congress I Party, will continue. They reflect the sharp personal rivalries and deep splits amone Sikh politicians in the Punjab which have bedevilled Mr Gandhi's attempts to bring peace to the state.

peace to the state.

The head priests, based in their religion's sacred Golden Temple in the Punjab city of Amriesar, excommunicated Mr Barnala last week for not Mr Barnala last week for not following their instruction to dissolve his political party. At the weekend they excommunicated the leader of another smaller Alphi Dal faction and asked Sikha to they were a season by "boycott" the state assembly members who had not followed their instructions. But moderate Sikhs throughout India are criti-cising the action of the priests who, they say, have exceeded their authority. Mr Gandhi is consulting

Mr Gandhi is constituted national opposition party leaders on the crisis in New Delhi today. He wants a strong government in the Punjab with enough authority to end the extremists' campaign of violence which has claimed about 700 lives

New Irish party attracts growing support

"THE COUNTRY needs real change ... give us the balance of power. We're ready ..." ran the Progressive Democrat's newspaper advertisement yes-terday alongside a picture of a jacketless Mr Desmond O'Malley, the party leader, his sleeves rolled up in business-like fashion.

The advert nicely captured the agreat of Ireland's newest party: It is fresh, anxious to get on with dealing with the country's immense economic problems and, above all, it is scornful of the inability of the two leading parties, Fine Gael and Fianna Fail, to do so in the mast. In barely more than a year, Mr O'Malley has capitalised on

disillusion with the old parties

tomorrow's election, Hugh Carnegy reports to make the Progressive Demo- At that time it was regarded Roman Catholic-dominated Irish crats a crucial factor in mainly as a vehicle for dissent- society, the party stands for tomorrow's general election. If ing members of Fianna Fail who the opinion polls are right in objected to the leadership of suggesting that it has secured Mr Charles Haughey, with around 15 per cent support, it whom Mr O'Malley, as a senior may come close to holding the key to who forms the next government.

That it has reached such a objected to the leavership of the

That it has reached such a point in such a short time has surprised even Mr O'Malley and the small group around him who launched the Progressive Democrats with an IE5,000 (24,800) bank overdraft at the end of December 1985.

Progressive Democrats may gain 15% of votes in

porters, old and young, from both Fianna Fail and Fine Gael. The Progressive Democrats call for a radical cut in the size of the state to reinvigorate the debt-depressed economy. At the same time, by the standards of dislikes this label.

liberal social policies. Northern Ireland, it supports the Angio-Irish Agreement. Crucially, it seeks to break down Fianna Fail/Fine Gael dominance which is still based largely an divisions dating back to the on divisions dating back to the Civil War of the 1920s. His new party tends to be characterised by commentators and opponents as right-wing, at least in the economic sphere.
Mr O'Malley, a horse racing
fan who has an impatient,
almost irritable political style,



(ove

Thirty held in Karachi clashes

THIRTY PEOPLE were arrested THIRTY PEOPLE were arrested yesterday after clashes with police as Karachi, Pakistan's biggest city and business centre, experienced a general strike. Police teargassed and baton charged crowds to stop them from erecting barricades and pelting the police with rocks. Fifteen people were injured in clashes throughout the city.

the city. The "jam the wheel" strike was called by an action committee supporting the disbanded Karachi Metropolitan Council — the city council. The Government disbanded the council on Thursday after its mayor, Mr Abdul Sattar Afghani and 99 city fathers were roughed up by the police.

The mayor and the councilmen had lead a procession to press for their demand again to collect motor vehicles tax. The Government of the Province of Sind, in which Kerachi is located, has recently been collecting the tax, which the council had used for its road maintenance work. Mr Afghani and 99 councilmen were arrested on Thursday, but 19 of them were later freed on bail. The mayor is still

Three-quarters of businesses remained shut yesterday. Government and private buses and taxis mostly stayed off the

The police used army reduce its sales in Singapore armoured cars to patrol areas from 5,000 copies 2 day to 400 most affected by the strike call. from last Monday for refusing

Worrall confirms his stand as Independent Twins Pharmaceutical Hold-ings, a subsidiary of Premier Group, which in turn is con-trelled by Anglo American, South Africa's largest mining

DR DENNIS WORRALL, South

Africa's former ambassador in London confirmed at the weekend that he was abandoning President P. W. Botha's National Party to stand as an independent candidate in the country's white election on

He has not chosen a constitu-ency but is believed to favour one in Natal where he can hitch his campaign to the KwaNatal Indaba.

The Indaba's proposals for multi-racial power-sharing in Natal enjoy wide support in the province but have been rejected by the Government on the grounds that they do give an adequate Figure 2 an adequate guarantee of minority group rights. Translated from Bothaese, that means rejection on the

Dow Chemicals has sold its wholly-owned South African pharmaceuticals subsidiary, Mer-National, for an undis-closed amount. Mer-National closed amount. Mer-National is one of South Africa's principal drug companies and has an annual turnover of about R150m (£47.5m).

Syndol, its leading brand, is Bouth Africa's largest-selling analysis. Dow first invested in South Africa fire years are

in South Africa five years ago, when it bought Mer-National. It has sold its interest to

grounds that power would not remain unequivocally in white

At a Press conference in sburg on Saturday, Dr

MP and a long-standing party member, said he did not oppose the country's ruling party. Rather, he said, he was concerned with restoring direction and purpose to South Africans

and industrial conglomerate. Twins will continue to us

Dow's trade marks and will have access to the American

parent's research. The divestment has been accompanied by guarantees that none of Mer.National's 125 employees be made redundant for at least a year.

and that he would occupy middle ground between the NP and the Progressive Federal Party, the official white Party, the opposition.

He dismissed party politics as counter-productive at present and said he would campaign for a total scrapping of "the remnants of apartheid," starting the process of giving polifical rights to blacks. He said it was up to whites: to give the Government a man-date for reform which "speaks to the international community

and restores to South Africa sense of direction." Opinion polls last year indi-

cated that about 60 per cent of whites favoured official talks with the African National Con-gress on the country's future.

Singapore accuses Asian Wall St Journal of caprice

sales of the Asian Wall Street Journal, has accused the news-paper of "capriciously" deciding what readers receive, Reuter re-ports from Singapore.

In a letter to the American Society of Newspaper Editors, Mr James Fu, press secretary to Mr Lee Kuan Yew, the Prime Minister, said the limit was not to muzile the newspaper but an attempt to put right "malicious representations."

The Journal was ordered to

SINGAPORE, which has limited to print a Government reply to an article on Singapore's seconan article on Singapore's secondary stock market.

In a letter to Mr Lee, dated February 11 and released in Singapore at the weekend, the society said it was dismayed by the action against the Journal.

In reply, Fu said Singapore should not be denied its "right of reply to false accusations and of reply to false accusations and erroneous facts published

against us.
"It is the Journal which is capriciously deciding what information its readers, including our citizens, can and cannot

IMF 'in deal with Egypt'

An International Monetary Fund team is expected to return to Cairo shortly with an return to Cairo shortly with an agreement to grant Egypt a standby credit facility. IMF sources said yesterday, Reuter reports from Cairo.

The delegation left Cairo last Friday after nearly a month of negotiations which diplomats had expected would result in a letter of intent on an economic reform nackage to be under-

a letter of incent on an economic reform package to be undertaken by Egypt.

The sources said no agreement had been signed but hinted that an accord in principle had been reached for providing Egypt with cledis, needed to give the economy balance of payments relief.

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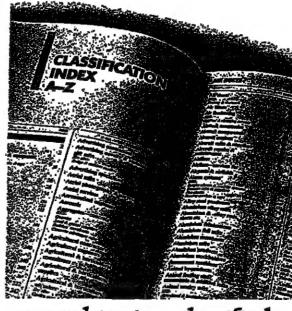


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Norway to

N-inspection

By Andrew Whitley in Jerusalen

NORWAY is to ask to inspect Israeli nuclear facilities to determine whether Norwegian heavy water delivered during the 1960s is being used for military nursees.

The Norwegian demand, made under the terms of a 1959 government to government agreement, ic "i"e"v to cause

and could surum the tradition-ally close relationship

. embarrassment to Israe

ask for

military purposes.

Covert campaign for democracy 'led to Irangate'

BY LIONEL BARBER IN WASHINGTON

THE IRAN arms scandal had its roots in an undercover White House operation called Project Democracy, set up four years ago to fight Communism and promote democracy outside the US, it was reported yesterday. In one of the most detailed accounts of the scandal's origins, the New York Times said Project Democracy was the secret ince New York Times said Pro-ject Democracy was the secret side of a well-publicised initia-tive that started life when Presi-dent Reagan addressed the British parliament in June 1982. In the speech, Mr Reagan spoke of cultivating the "fragile flower of democracy" and of a worldwide effort to "foster the infrastructure of democracy the

system of free press, unions, political parties, universities which allows a people to choose their own way to develop their own culture..."

But about a year later, Mr Robert McFarlane, then Mr Reagan's National Security Adviser appointed an observa-

Section of the sectio

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viser, appointed an obscure marine, Lt Col Oliver North, tions systems, leased ships, off-shore bank accounts and

requested a one-week extension of its deadline to February 26



John Tower: more time

Project Democracy, through its National Endowment For to head the programme. It suddenly grew into a parallel Government money to foreign foreign policy apparatus—complete with its own communication and other institutions. But the covert side raised money privately for the US-backed Contras fighting the Marxist Sandinista Government in

shore bank accounts
corporations.

The disclosures appear based on evidence being gathered by the Tower Commission, a three-man panel led by the former Texas senator, John Tower, which is investigating at Mr Reagan's request the workings succeed Mr William Casey as succeed Mr William Casey as succeed Mr William Casey as head of the CIA. Despite the President's hopes and the White public is becoming bored with the scandal, the steady stream

for completing its report after of disclosures is fanning the Argentina pins fiscal

hope on tax amnesty

A TAX amnesty was approved by Argentina's parliament at the end of last week, which the Ministry of Finances hopes will bring in an extra Australs 1bn (£490m) to the Government this year—equivalent to an extra month's tax income.

According to Finance Minis-try officials the extra income is ential if the Government is to keep its budget within its tar-get of 2.5 per cent of GDP for 1987, as was agreed with the IMF recently to obtain approval for a \$1.35bn (£889m) standby

The amnesty will enable indievaded taxes to "come in from the cold" and pay a modest levy the cold "and gay a modest levy of between 2 and 10 per cent on hitherto undeclared assets and earnings. In exchange they will be absolved of all legal action by the tax authorities for their past wrongdoings and, in effect, will become law-abiding citizens.

The paried for which earn-

The period for which earnings and assets are eligible for the amnesty runs from the

The amnesty is a complementary measure to the lifting of bank secrecy last year; the latter will enable the tax authorities to act much more effectively in tracing and prosecuting tax evaders. About 3 per cent of the extra income created by the ammesty is to go to strengthen

the tax authorities' capabilities.
The new law has been widely criticised, however, from two standpoints. On the one hand, those few honest citizens who pay personal property or in-come taxation object to their who pay little or nothing at all, being given such a wind-fall break. Tax authority figures show that a mere 29,000 Argen tinians out of 1.6m potential tax creditors pay 84 per cent of the Government's 1stal revenue from personal taxation. On the other hand those who had hoped the amnesty would enable substantial sums of foreign currency deposited outside the country to be repatri-ated and to strengthen the local beginning of the military capital market, have been disgovernment in March 1976 to the end of December 1985.
Government officials who during that period may have used their positions to make illicit gains at excluded from the law.

Peruvian students plan big protest over mass arrests BY BARBARA DURK IN LUIA

PERU has begun releasing some of thet 800 detainees arrested in a controversial operation against terrorism last Friday. Although universities here are traditionally and constitu-tionally considered out of bounds for law-enforcement authorities, about 4,000 police entered three Lima universities

in search of rebels.

The operation left one unidentified man dead and several wounded, including three police. Pistols and explosives, including dynamite and electronic detonators, were found. Police said the arms cahes and literature and other paraphernalia, such as wigs and masks, belonged to Peru's two major rebel groups, the Maoist Shining Path and pro-Cuban Tupac Amaru Revolutionary Tupac Amaru Revolutionary

By Saturday, police had re-leased 274 students, but 90 detainees were being charged with terrorism. The remainder were being investigated. President Alan Garcia justified the operation by saying entry into the universities was done in the presence of judges.

"We are not woging a dirty
war, with disappeared and
deaths by accident, as other
regimes have been accustomed
to do," he said.

However, the rectors of the three universities, San Marcos, Engineering, and La Cantuta, Engineering, and La Cantuta, a teacher-training school, have protested that they were legally entitled to be notified of such an operation. Mr Ignacio Lopez Soria, rector of the National Engineering University, called the operation a first step towards fascism.

Central American leaders meet over peace effort

FOUR Central American presidents met yesterday to discuss a new regional peace proposal that diplomats say calls for a truce between US-backed Nicaraguan Contra rebels and the country's Sandinista Government, Reuter reports from San

Nicaraguan President Daniel

The initiative by President Arias focuses on solutions for

civil strife in Nicaragua, which the three pro-US countries criticise as the major source of regional instability.

Costa Rica and Honduras have refused to talk to Nicaragua until it withdraws an International Court case accusing them of helping anti-Sandinista rebels.

Nicaraguan President Daniel
Ortega has not been invited to
join Presidents Oscar Arias of
Costa Rica, Jose Azcona Hoyo of
Honduras and Jose Napoleon.
Duarte of El Salvador—all US
allies—and Guatemalan leader
Vinicio Cerezo, who professes
vinicio Cerezo, who professes
neutrality.

Santinista Tereza.

Western diplomats say
Nicaragua was also excluded to
isolate it diplomatically and to
form a common stand to present
to the leftist Sandinista
seem
pleased by the exclusion.

"It loks bad if they're all
there but one," said one US there but one," said one US official

Jumblatt in

By Richard Johns

Waite

plea over

MR WALID JUMBLATT, the Lebanese Druze leader, yester-day appealed to the Shi'ite ex-tremist Hizbollah—Party of God —movement to release Mr Terry Waite, the Archbishop of Can-terbury's personal envoy, who disappeared in Beirut on Janu-

The call followed a meeting between Mr John Gray, British Ambassador to the Lebanon, and Ambassador to the Leoshou, and the deeply embarrassed Druze mountain leader whose militia, the Progressive Socialist Party, was responsible for the Angli-can emissary's safety on his mission to obtain the freedom of Western hostages.

In London, however, the Foreign Office deuled reports that there had been diplomatic contacts with the Syrian Government about Mr Waite.

Mr Jumblat's appeal was con firmation that the amorphous pro-Iranian movement Hizbollah was responsible for Mr Waite's disappearance. It is linked to Islamic Jihad (holy war), which claimed responsibility for the kidnapped men Mr Waite was trying to response

kidnapped men Mr Waite was trying to rescue.

Last night Sir Geoffrey Howe, the Foreign Secretary, was due to meet President Amin Gemayel of Lebanon, who arrived yesterday for a four-day visit In Beirut Mr Jean Obeid, a former aide of Mr Gemayel's who had close links with Syria, was yesterday freed after being abducted by unidentified gunger four days previously.

ISRAEL SAID yesterday it had been informed by the US that the Israeli defence industry could in consequence receive contracts worth an additional \$200m to \$300m (£130m to \$196m) from the Pentagon to the US by Mr Yitzhak Shamir, Prime Minister.

It will put Israel on a par with other non-Nato allies such as Australia and Japan. Uncontracts and for Nato-equivamen four days previously.

Amal lifts siege of refugee camp

THE SHIA Amal militia partially lifted a siege around the Palestinian camp of Rashidiyeh in South Lebanon and thousands of starving refugees rifted northward over the week-end after United Nations emer-gency supplies finally entered the Bourj al-Barajneh settle-ment in Beirut.

ment in Beirut.

At day break Saturday, Amal allowed relief trucks loaded with milk, flour and fruits into the Bourj al-Barajneh refugee camp. beseiged by its militiamen for 15 weeks.

On the same day, Lebanese Red Cross ambulances evacuated some 138 people, including 13 wounded Palestinians from the camp of Rashidiyeh near Tyre. Amal announced that its block-

Amal announced that its blockade of Rashidiyeh, imposed
several months ago to prevent
tarily active outside the camp,
would be lifted for five hours
each day to allow them to stock

Amal announced that its blockimposed
by opportunity to stream out with
their few belongings vowed to
never return. In Beirut, the
UN Relief and Works Agency
succeeded after earlier attempts
to alleviate severe famine con-

Top officials of the Palestine Liberation Organisation arrived in Jordan at the weekend for talks on aid to Arabs living under Israeli occupa-tion, amid pressure on King Hussein to end his year-old breach with Mr Yassir Arafat, the PLO chairman, Andrew Gowers reports from Amman. The PLO delegation is the most senior to have visited the Jordanian capital since the King ordered the closure of its offices last year after breaking off talks with Mr

up on food and medical sup-

Yassir Arafat, the organisa-tion's chairman. It is led by tion's chairman. It is led by Mr Khalil al-Wazir, otherwise known as Abu Jihad, deputy military commander, and Mr Hanni al-Hassan, Mr Arafat's chief political adviser. Coming after a meeting between the King and Mr Arafat at the Islamic summit in Kuwait last month, the visit has fuelled rapprochement between the two sides, considered vital for the resumption of the stalled Middle East peace process.

ditions had failed.

Reuter adds: Amal has apparently responded to mounting international pressure to end the Palestinian-Shia feud-ing in which about 800 people have been killed since September 30.

eptember 30. dollar, compared to Friday's The loosening of the siege close of 105.00-115.00,

ing the country's coastal road and seized by Palestinians in a frontal assault last November. Mrs Khadija Hassan, 35, filled her shopping basket with fresh vegetables and fruit. "I have been yearning to get out of the camp (Rashidiyeh), but armed Palestinians would not allow us to leave," she said. UN officials say 10,000
Palestinians are registered as
refugees in Rashidiyeh, but
unofficial estimates put the
figure at more than twice that

followed Amal's re-occupation

of positions at the southern village of Maghdousheh, located

on a strategic hilltop dominat-

number.

The Lebanese pound continued its rapid fall against the dollar on Saturday, sharpening widespread concern over the country's economic crisis. It closed at 114.00-118.00 to the

any close relationship

sepite regular official denials, Israel is widely believed
to have secretly developed a
sophisticated nuclear weapons
building capacity. This was
based initially on above-board
French and Norwegian assistance with what was said at
the time to be a research programme into the peaceful uses
of nuclear energy. of nuclear energy.
Yesterday's unexpected move by Norway stems directly from last October's disclosures by Mr Mordechai Vanunu—the dissi-dent Israeli nuclear technician kidnapped abroad by Israeli agents and brought back to stand trial—that the Jewish state had been producing nuclear weapons for two

The Norwegian Government was said by one foreign diplomat to have been "very annoyed" over the Vanunu revelations. A formal request that Israel accept an inspection of its Dimona nuclear reactor by the International Atomic Energy Agency, the IAEA, is expected

US concession to Israel on defence work

BY OUR JERUSALEM CORRESPONDENT

ISRAEL SAID yesterday it had official estimates yesterday were been informed by the US that the Israeli defence industry it was to get preferential status could in consequence receive Israel said a decision in prin-

special treatment from the US Minister.

It will put Israel on a par special treatment from the US Minister.
with other non-Nato allies such for access to lucrative Pentagon But the details of the as Australia and Japan. Un-contracts and for Nato-equiva-arrangement, which is likely to

raise many questions from Nato countries, are a long way Israel said a decision in principle to grant it such status was conveyed in recent letters from settlement. The subject is certain to be raised while Mr Shamir is in Washington.

Mr George Shultz, US Secretary

6 Israel's inflation rose 2.1 per berger, Defence Secretary, to Mr Shamir and Mr Shimon Peres, the Israeli Formal Market Shimon Description of the Shimon De day, Judith Maitz reports from Jerusalem. Although higher than December's figure of 1.5 per cent the month's increase was lower than forecast.

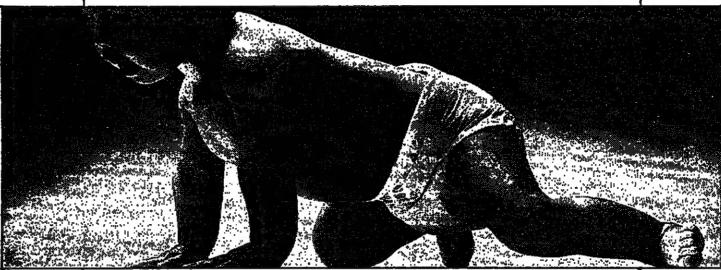
Delieve it or not, but what you're looking at in this picture represents an investment of

That's how much Peaudouce are spending to set up a factory that'll make the product you can see being modelled below.

As for the site for this, their first ever British manufacturing unit, we're proud to say that with the whole country to choose from they eventually decided to build in Telford. Incidently, once in full swing, the factory's set to produce more nappies than any other in the U.K.

So what made the world's third largest producer of "baby hygiene products" plump for the Shropshire town?

To understand their choice one must first consider the nappy. As a product, its value as compared to its bulk is low. Also, by its very nature, it's a high volume product.



THIS PICTURE HOLD THE SECRET COMPANY'S FUTURE SUCCESS?



Combine these factors and you can see why, in the nappy world, regular, reliable and economical transport is all important. Telford, thanks to the M54, and its location close to the beart of Britain's motorway network, admirably meets all these criteria. In fact, two thirds of the entire British consumer market can be reached from Telford by HGV in under four hours.

The French were also impresed with how easy it is to get people to and from the town. Birmingham International Airport is only a forty minute drive away, while just over two hours on a train will get you to the heart of London.

As the new factory is set to create 235 jobs, the ready availability of a skilled, adaptable workforce was another key consideration. Needless to say that in Telford Peaudouce found all the people they needed. Moreover, in the Telford Development Corporation they found the people who could make the whole project go as smooth as, dare we say it, a baby's bottom. Telford Development Corporation not only offered advice and assistance at every stage

of the planning process, but also made sure that the red tape was kept to a minimum. Add all this to the fact that Telford is set amongst some of Britain's most beautiful countryside and you'll begin to understand why the town came top of the French

So if you're thinking about relocating your business perhaps this baby's bottom is just the pointer you've been looking for.

But before you read the rest of the paper we'd like to leave you with one final thought. With £10 million at stake, you can rest assured that when Peaudouce finally chose

Telford as the site of their new nappy factory, it wasn't a rash decision. To find out more ring Chris Mackrell on 0952 613131.

TELFORD DEVELOPMENT CORPORATION, PRIORSLEE HALL, TELFORD, SHROPSHIRE TF2 9NT.

The success story continues.

by Peter Montagnon, Trade Editor, in Washington

FRESH legislation to introduce

senior Administration undersi-have been adamant they want to fend off trade legislation in specific sectors in the 100th Congress that convened last

month.

However, pressure from the beleaguered textile industry is unremitting and the proposals are likely to prove a key test of the Administration's ability to curb protectionist elements in Congress.

are likely to prove a key test of the Administration's ability to curb protectionist elements in Congress.

Mr Dewey Trogdon, president of the American Textile Manufacturers' Institute, noting that textile imports grew 19 per cent last year while the domestic market expanded by only 1 per cent, says: "Only legislation can prevent a takeover of the domestic textile and apparel market by foreign producers

tial veto.

However, Mr Clayton Yeutter, the US Trade Representative, said in an interview: "There is no way we will agree to import levels that are squeezed to that degree."

Textile import quotas run counter to the Administration's policy of concentrating on opening new markets abroad rather than closing domestic markets in response to US trade problems.

FRESH legislation to introduce quotas on US textile imports is to be set before Congress within weeks, according to industry representatives and congressional specialists in Washington.

The proposals, being drafted by supporters of the industry on Capitol Hill, have not been unveiled publicly, but it is clear they will be controversial, sparking bitter opposition from the Reagan Administration.

Last year President Reagan vetoed similar legislation and senior Administration officials have been adamant they want to fend off trade legislation in

This would allow the measure's promoters to argue that it is not unduly protectionist. Given the strength of the textile lobby, that could generate enough congressional support to override a presidential veto.

US and Japan to meet over semiconductor dispute

BY IAN RODGER IN TOKYO

US AND JAPANESE trade officials are to meet in the US chips at low prices in third early next month to try to settle their differences over the controversial bilateral agreement on semiconductor trade of the could to make sure agreement by selling officials and they were doing everything they are the controversial bilateral agreement by selling the agreement by selling officials are to meet in the US chips at low prices in third markets.

signed six months ago.

Officials of Japan's Ministry of International Trade and Industry reacted calmly to demands last week by the US Semiconductor Industry Association that the US Government improve immediate sanctions impose immediate sanctions contributions to an endowment against Japanese companies for alleged violations of the pact.

Ministry officials said they exchange centre next month.

were doing everything they could to make sure the agree-ment was respected. "We hope

developing countries improve trade with Japan and other countries.

The draft revisions, the first in 10 years, include the establishment of an insurance system for imports made by advanced payment, the creation of interdiary trade insurance, the expansion of overseas investment and the introduction of a reinsurance system by partici, pating in the Multinational Investment Guarantee Agency which will come into operation

The Ministry of International Trade and Industry says a growing number of companies

Control of the Control

noted the complaints, but doubted that the US Government would take any action before next month's meetings. The US industry's main complaint is that Japanese chip producers have been underminately producers have declined since the chip agreement was signed.

EXPORT INSURABLE NOTATION TO Report in a chemicals store last November.

The company of the size of a FFr 257m (£28m) damages claim announced by the French Government week to meet the company's responsibility for Rhine polition after a fire in a chemicals store last November.

The company is still waiting to receive details of the French claim, which appears to have been presented through the Swiss Government.

It is by far the biggest to be lodged in the wake of the interminately producers have been underminately producer SANDOZ, the Swiss pharma-

national environmental damage caused by the blaze at a Sandoz warehouse in Basle, in which up A new insurance system will protect them from the risks associated with this and also to 30 tonnes of toxic chemicals were washed into the Rhine. promote more imports The ministry is planning to underwrite Y450bn (£1.92bn) in Mr Daniel Wagniere, a mer ber of the Sandoz group's execu-tive committee, said in an interview here that the size of the French claim "may be going too far." advance payments for the cur-rent fiscal year. The new inter-mediary trade insurance is designed to promote offshore, or so-called triangular trade, by

or so-called triangular trade, by eliminating risks arising from restrictions in transfer of foreign currencies, war and bankruptcies of trade partners. The scheme will protect Japanese trading companies and members of the Association of South Coatt Adda National Statement and the French region of Alsace who had been allegedly affected by South-east Asian Nations the incident.

Reagan faces fresh | Moscow takes chill off relations with Bonn

BONN AND Moscow have begun a rapid repair of the icy, hostile, period in their relations which immediately preceded Mr Helmut Kohl's re-election as West German Chancellor last month.

At an official level at least, Moscow stopped talking to Bonn and cancelled a number of planned visits, after Mr Kohl compared the public relations skills of Mr Mikhail Gorbachev, the Soviet leader, with those of Josef Goebels the Nazi propa-ganda chief, in a magazine interview last October.

In the past few days, however, in a flurry of new-found warmth that appears to follow a highly conciliatory speech by Mr Hans Dietrich Genscher, the West German Foreign Minister, in Davos on February 1, Soviet officials have lowered their



month, are probably the most positive indication yet that the Soviet side has put the Goebbels episode behind it.

In Davos, Mr Genscher had urged the West to take Mr Gorbachev's reforms seriously and not to give me a potent.

Tanking group of industrialists it had become clear to Moscow, in Moscow for the past three days for an East-West conference which is due to end today. In addition to senior academics, the heads of Mannesmann, Mr Gorbachev, though, is said to have been very angry Schloamann, Siemag and Florage. and not to give up a potentially historic chance to achieve a lasting, peaceful accommodation with Moscow.

or Wednesday last week ine mass circulation newspaper Bild published an interview with Mr Gennadi Gerassimov, a Gorbachev confidant and a Soviet foreign affairs spokesman, who suggested that President Richard von Weizaecker night visit Moscow soon in might visit Moscow soon in return for the late Leonid Brezhnev's trip to Bonn in

German Foreign Minister, in Davos on February 1, Soviet officials have lowered their barriers.

Mr Yuli Kvitzinski, Moscow's Ambassador to Bonn, told a press conference here late last week that he was convinced that the West Germans would "with the Soviet embassy move relations with the Soviet the Soviet embassy of technical agreements reached soviet Central Committee last while, have had a very high-

in addition to senior academics, the heads of Mannesmann, Ruhrgas, Selzgiter, Ferrostahl, Schloemann-Siemag and Kloeckner and Co, the Deutsche and Dresdner Banks all travelled to Moscow for the three-day conference.

apparently giving some thought to co-operating with the Soviet Union in space and have also offered to help modernise

offered to help modernise
Soviet nuclear power plants in
the wake of the Chernobyl
disaster.
Some experts in Bonn
believe that Moscow feels more
comfortable dealing with West
Germany than most other leading Western countries and that
it would have been painful,
both commercially and politically, to continue a cold war over
the Goebbels remark.

Mr Kohl's decision to go

Yugoslav debt crisis in view

and it is doubtful that he would want to meet Mr Kohi in person in the near future. Moscow does not believe that

YUGOSLAVIA seems to be heading for a financial crisis this year after reaching deadlock in talks with the International Monetary Fund (IMF) which wants a higger say in running the economy, Western diplomats and economists said, Renter reports from Belgrade.

Sakharov calls for more Soviet democracy

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APY

By Our Moscow Correspondent

Mr Gorbachev, though, is said to have been very angry about the Goebbels comparison DR ANDREI SAKHAROV, the DR ANDREI SAKHAMOV, the Soviet obysicist and dissident, told a government organised meeting in Moscow yesterday that more democracy in the Soviet Union was necessary to create the trust needed between the superpowers for deep cuts in US and Soviet nuclear areanals. it has ever received a proper apology from the Chancellor, although he did try to distance himself from the remarks he

made.

The Soviet Union particularly like the role, though, that Mr Genscher carves for himself between the two superpowers and would have been loathe to isolate him for too long. They were delighted at the strong showing of his party, the Liberal Free Democrats (FDP), in January's general election. During the campaign, Mr Genscher came under attack from right wingers in government for constantly trying to speak to Soviet leaders instead of standing firmly in the US camp on arms control and other issues. arsenals.

The participation of Dr Sakharov in the two-day meeting of foreign and Soviet intelligentsia shows that the Kremlin is easer to cultivate world public opinion on disannament issues. Mr Mikhail Gorbachev, the Soviet leader, is to address the participants in the meeting today in the Kremlin.

The conference is part of a Soviet offensive on human rights and disarmament issues which got underway with the release of Dr Sakharov last December. The two-day forum on peace and nuclear disarmament was attended by well-known figures such as Mr Graham Greene, Mr Gore Vidal and Prof J. K. Galbraith.

At the same time the violent police reaction last week to demonstrations by the family of Mr Iosul Begun, a Jewish dissident, calling for his release shows that elements of the Kiber and the state of the say in segun, a Jewish dissident, calling for his release shows that elements of the KGB and security forces are either confused by or opposed to the Kremlin's attempts to defuse the human rights issue at home and improve its image abroad. Soviet industrial production last month was 0.1 per cent lower than in Januar with particularly with particularly the key. of the collective state presidency, said on Friday there was deadlock with the DMF, which conducts "enhanced monitoring" of the Yugosiaw economy. Severe cold spell in January.

more democracy in what is evidently the opening shots in a general campaign by the Kremlin to attack middle by Soviet foreign correspon-dents are still faithful to level Communist Party and state officials for their oppo-sition to political and economic restructuring. A letter from the industrial

BY PATRICK COCKBURN IN MOSCOW

The Seviet Communist Party daily, Pravda, is to give priority to improving its coverage of foreign affairs by its 42 foreign correspondents some of whom unnecessarily censor their own reports according to Mr Anatoly Karpuychev, the newspaper's managing editor.

He said in an interview that Pravda intended to extend the freedom of expression (Glasnost in Russian) allowed about events at home to articles about foreign countries where the paper had many competent correspon-

many competent correspon-dents but some were prone to "self-censorship" and needed "to be more relaxed."

Despite the less inhibited reporting in the press toler-

Sandoz queries

French bill

By David Marsh in Basie

ated since Mr Mikhail Gorba-chev became Soviet leader in 1985 pieces on foreign affairs stereotypes abandoned by Soviet journalists writing about events within the Soviet Union. As evidence of a new willing-ness to tolerate diversity of

opinion on foreign affairs Mr opinion on toreign arraits for Karpuychev pointed to an article in this week's Pravda by Mr Kenneth Adelman, head of the US Arms Control and Disarmament Agency, accusing Moscow of using chemical weapons in Afghanistan and supplying them to Vietnam.

tion of 11.1m, was trying to get away from pep talks about fulfilment of the economic plan and concentrate more on the needs of ordinary Soviet citizens. He said last year the newspaper had received 622,000 letters an increase of more than 100,000 on 1985.

Prayda, whose two editions are printed in 56 cities across the Soviet Union every evening, has enormous influence

Pravda wants 'more relaxed' foreign reports

ing, has enormous influence within the country. Under the editorship of Mr Viktor Afanasyev it has been a key supporter of Mr Gorbachev over the past two years and its editorial line has proved a reliable indicator of the direction he wants to take.

This week the paper carried a page of letters calling for

S Korean referendum proposed

A letter from the industrial city of Dne properovsk in the Ukraine accused the average official of sabotaging the shift to democracy because "he will lose too many privileges and acquire a whole lot of obligations." Only by elections of directors and leaders, 12 continues, will organisations have "the opportunity to get rid of the administrator caught in a rut, the bureaucrat, the bribe taker, the boor and simply the idler."

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According to Article 6, Paragraph 1 of the terms and conditions of the lean all bonds which have not yet been drawn by lot are herewith called for redemption as of May 16, 1987 at the price of 102% of the nominal

for recemption as of May 16, 1967 at the price of 102% of the nominal amount.

The bonds called for recemption will be paid as from May 16, 1987 at the price of 102% of the nominal amount against presentation of the price of 102% of the nominal amount against presentation of the price of 102% of the nominal amount against presentation of the banks intend below:

(a) in the United States of America at Westdeutsche Landesbank Girozentreis. New York Branch (b) outside the United States of America at the head offices of the banks listed below:

Westdeutsche Landesbank Girozentrale
Amstardam-Rottordam Benk N.V.,
Kredietbank S.A. Luxembourgeoise
Orion Royal Benk Limited
Andresses Bank

COMPANY. POSITION. UNIVERSITY OF MANCHESTER

Banca del Gottardo

General Shareholders' Meeting

The General Shareholders' Meeting of Banca del Gottardo will be held on Thursday, February 26, 1987 at 11.00 a.m. at Palazzo dei Congressi (Room B1), Piazza Indipendenza 4, Lugano to resolve on the following:

AGENDA

Report of the Board of Directors for 1986.

Approval of the balance sheet and of the profit and loss account for the period ended December 31, 1986 and discharge of the Board of Directors.

Share capital increase from Sfr. 96'000'000.- to Sfr. 104'000'000.- and participation certificate capital increase from Sfr. 27'000'000.- to Sfr. 29'250'000.- through the issue of 80'000 new bearer shares and 22'500 new bearer participation certificates, par value Sfr. 100.- each, at the subscription price of Sfr. 300.- including stamp duties and expenses, with dividend rights as from January 1, 1987. Shareholders will be offered 1 new share for every 12 old shares owned, whereas participation certificate holders will be offered 1 new certificate for every 12 old certificates owned

Verification of subscription of the 80'000 new shares and the 22'500 new participation certificates and of payment of the relative issue price of Sfr. 24'000'000,—for the shares and Sfr. 6'750'000,—for the

Modification of art. 4 of the by-laws.

Appointments.

The annual report for the year ended December 31, 1986, which includes the report of the Board of Directors, the Auditors' report, the balance sheet, the profit and loss account and the proposed distribution of profit, as well as the text of the proposed modification of the by-laws, are available to shareholders at the Bank's head office in Lugano, at the Zurich office and at branch offices in Lausanne, Locarno, Chiasso, Luxembourg and Nassau (Behamas), from February 13, 1987.

The tickets of admission to the General Shareholders' Meeting will be issued by the general secretariat of the Bank against presentation of the shares or against manifest proof of their possession from Friday, February 13, 1987 to Wednesday, February 25, 1987 included.

> The Board of Directors Lugano, January 27, 1987

SOUTH KOREA'S opposition leaders, Mr Kim Dae Jung and Mr Kim Young Sam, yesterday tried to seize the political initiative by announcing two proposals designed to break a deadlock in negotiations with the ruling party. At the same time hints of a stronger commitment by the US to progress towards Korean democracy began to emerge, providing encouragement to opposition what is people could decide that the people could decide that the people could decide that type of election they is favour later this year.

The opposition wants a direct to the ruling party. At the same time hints of a stronger commitment by the US to progress towards Korean democracy began to emerge, providing encouragement to opposition what type of election they is favour later this year.

The opposition wants a direct to the ruling party style election. A government spokesman rejected the opposition proposals, but the ruling Democratic Justice Party faces the problem that if it does not reach agreement with the opposition, any election it tries to hold will not be seen as legitimate.

At a news conference, which me Kim Dae Jung could not attend because he was under police nouse arrest, Mr Kim Dae Jung could not attend because he was under police nouse arrest, Mr Kim Washington began to police nouse arrest, Mr Kim Washington began to by the Reagan Administration of a memorial rally for a student from Washington began to by the Reagan Administration of a memorial rally for a student from Washington began to by the Reagan Administration of a memorial rally for a student from China Doo Hwan to meet the two leaders to discuss progress towards democracy. He also secretary of State for East Asia, his return from China. A better said in a speech in New York indication of the American nest. two leaders to discuss progress towards democracy. He also proposed that the Government should hold a referendum so

opportunity to create a new political system to take over when President Chun steps down early next year as he has promised to do.

Early this week Mr James Lilley, the US ambassador to Seoul, held meetings with Mr Lee Min Woo, president of the New Korea Democratic Party, and Mr Kim Young Sam. He has said he may meet Mr Kim Dae Jung.

Both Kims have said that

Both Kims have said that they are encouraged by what they see as a new approach said in a speech in New York indication of the American puthat Koreans had an historic tion may then be apparent.

SHIPPING REPORT

Tanker rates continue to tumble

Galbraith's, the London brokers, described market con-ditions as "appalling" and forecast that the number of very large and ultra large crude carriers seeking employment in the Gulf would reach "horrendous" levels by the end of the mouth.

Some reports suggested that as many as 60 large tankers would be competing for cargoes, although more cautious observers put the number at between 45 and 50.

One US oil company was said to have received 18 offers of VLCC tonnage for a cargo from the Gulf to the West, though some of these ships were later reported to have secured busi-

ness from Iran.

Demand for smaller ships in the 100,000 to 130,000 tons deadweight class was reported from West Africa, but rates were said to be tumbling.

tarker market last week, with be receiving offers for cargoes Atlantic trades.

Uttle prospect of short-term of 115,000 tons at below World-improvements, and fears that the weakness was spilling over the weakness was slightly higher.
Brokers said these rates were likely to be discounted significantly in further negotiafor cargoes of 80,000 tons from the US Gulf to Europe. The level for Panamax ships, the largest able to pass through

tions, however.
In the dry cargo market, hrokers said an increasing number of ore/bulk/oil carriers the Panama Canal, was relatively steady at around \$8.25 to Europe and \$13.75 to Japan,

World Economic Indicators INDUSTRIAL PRODUCTION (1980 = 180)

US	Dec. 26 116.6	Nov. 26	Oct. 86 115.4	Dec. 35 115.6	% change over previous year +0.9
UK Japan W. Garmany France Italy	Nov. 84 770.0 118.9 106.4 103.1 99.5	Oct. 86 109.8 129.7 106.9 103.0 99.2	Sept. 86 131.0 123.1 107.6 102.3 98.3	Nov. 85 109.7 121.4 107.8 103.7 98.5	+0.3 -2.1 -1.3 -0.6 +1.2
Netherlands	107.2	106.9	109.1	109.9	-2.5

Company Notices

FIAT FINANCE AND TRADE LTD. INTERNATIONAL ISSUE OF \$US 100.000.000 GUARANTEED FLOATING RATE NOTES DUE 1991

We inform the bondholders that in accordance with the terms and conditions of the notes, Fiat Finance and Trade Ltd. has elected to redeem all of its outstanding notes on February 24, 1987 at 100%.

Interest on the said notes will cease to accrue on February 24, 1987. The notes will be reimbursed, coupons ar 5 and followings ched according to the terms and conditions of the notes.

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE 15, Avenue Emile Reuter

LUXEMBOURG

NOTICE TO HOLDERS OF TEXACO CAPITAL N.V. 11%% Convertible Subording Debentures due 1994

Tames Capital N.V. hereby gives natical to the holders of the 11%5 Convertible Subordinated Debentures the 1394 that if any holder presents such security for conversion any time between December 31, 1986 and April 30, 1987, inclusive, the holder will receive interest accrued from May 1, 1986 through December 31, 1986 inclusive in sufficient to common stock.

NOTICE TO HOLDERS OF TEXACO CAPITAL N.V. 11%% Convertible Suberdinated Debantures due 1994

Tennes Capital N.V. hereby given notice to the holders of the 11%% Convertible Subardinated Debentures due 1994 that if any holder presents such socurity for conversion any time between December 31, 1986 and May 14, 1887, inclusive, the holder will receive interest accrued from May 16, 1986 through December 31, 1986 inclusive in addition to common stucks.

orion rioyal Bank Limited
Andressens Bank
Bergen Bank
Bergen Bank
Den norske Creditbank
Credit Commercial de France
Girczentrale und Bank der Öst
Aktiengesellschaft
Kredisthank M Volkens

Assert Basic, Bank of Scotland ...

PK Finans, Inti (UK) 111/2 Provincial Trust Ltd 12 Provincial Trust Ltd., R. Rapitael & Sons ... Rozberghe G'rantee 1112 Royal Bk of Scotland 11 Royal Treat Bank 11 United Bk of Kawaii United Micrati Bank Westpac Binking Corp Whiteanson Laiding Whiteaway Laidan _____ Yorkshire Bank____

BASE LENDING RATES

The bonds called for redemption will case bearing interest at the end of May 15. 1987. The equivalent of possibly missing coupons will be deducted from the principal amount.

Citizenk NA Citiback Saviess 112/ City Meschasis Bank 11 Ciydesdale Bank 11 Afflet Irish Bank 11 American Esp. 8k 11 Coam. Sk. N. East . Wat Westerlester ... Northern Bank List. Henry Austracher

ANZ Basiking Graup

Associates Cop Corp. E.T. Trusi 22 Equation 7 Tat Chy pic 22 Exeter Yeart Etal 1112 First Mar. Fig. Corp. 1117 First Mar. Fig. Corp. 1117 First Mar. Fig. Corp. 1117 Authority & Collai ____ 11½ Bank Credit & Comm ... First Mat. Sec. Ltd...... 11/2 HFC Trest & Savings...... Harduro Bank Heritable & Gen. Tat. 11 Berliner Bank AG _____ 11. Brit. Bit. of Mid. East___ 13.

Marconi faces defence work profits inquiry

THE MINISTRY of Defence (MoD) circumstances I can make no furtronics subsidiary of the GEC electracts are under examination. It is

lar_{ov}

"You will understand that in the nal negotiations.

believed, however, that the ques-The MoD yesterday refused to tions at the centre of the inquiry give details but indicated that at concern a group of companies present the inquiry was being con-based at Portsmouth on the south ducted at an internal level by its coast of England. According to the own police force. This means that allegations, prices of contracts beso far nobody from outside the ministry has been called in for investigation.

The internal level by its coast of England. According to the own police force. This means that allegations, prices of contracts being handled by these companies is try has been inflated, leading to larger profits than agreed in the original profits that a great that in the original profits that in the original profits that a great that the original profits the original profits the original profits that the original profits the origina

is examining allegations that excess ther comment," spokesman said. Labour MF and one of the most persive profits may have been made on certain contracts placed with Marconi is among the country's sistent critics of the Government's largest defence contractors, and it defence procurement programme, is not clear which particular consaid yesterday that he had tabled the House of Commons. He is also intending to raise the issue with the powerful all-party public accounts committee, of which he is a mem-

surances in parliament on the ques-

Dryer group introduces plan for flexible working hours

BY DAVID BRINDLE

CROSSLEE, a Yorkshire-based manufacturer of tumble dryers, has introduced a working week of 32 hours in the summer and 43 hours in the winter to match the strongly

seasonal demand for its products. The move is one of the most radical of a growing number of flexible working time schemes being brought in by companies which face working time schemes being
brought in by companies which face
fluctuating market demand.

Crosslee began trading last year

By agreement with the Amalgamated Engineering Union and the manufacturing union Tass, which represent a majority of the workfluctuating market demand.

tium buy-out of the former Philips Electrical Goods factory at Hippercolme near Halifax, north England. Philips decided to concentrate its washing machine production in Ita-

The factory had employed a workforce of about 550 of which 180 were re-employed for production of tumble dryers for Philips, for other brand named companies and for

Crosslee's own recently launched and two further "company days Full details of the flexible work-

ing time scheme are published to-day in the latest issue of Industrial Relations Review and Report, the fortnightly bulletin of the Industrial Relations Services research group.

ers, a 32-hour four-day week was worked from June 23 to August 15 last year and a 43-hour five-day week will be worked from then un-

The work patterns are equal to 39 hours throughout the year though overtime is paid after 32 or 43 hours. There is further seasonal bias in holiday provision which inReport 386: IRS, 18-20 Highbury cludes a full week's shutdown at Place, London. N5 1QP, By sub-Easter, and the spring bank holiday

Crosslee has also introduced tive grades within the existing system of group working, rather than production-line assembly and paying them basic salaries of £6,003 to

About 47 per cent of the total workforce has taken up share op-tions in the company after the buyout. There is virtual single status for all employees though a change from weekly cash wages to monthly payment by credit transfer is said to have proved less popular with the manual workers than has the concurrent abolition of clocking on. Industrial Relations Review and

wins court battle over trade marks

BY RAYMOND HUGHES, LAW CORRESPONDENT

THE WELLCOME Foundation has without Wellcome's consent, under er EEC countries.

The court has granted Wellcome declaration that infringements of trade-mark rights were a relevant consideration to be taken into ac-count by the Secretary of State for Social Services when issuing Product Licences (Parallel Imports) under the 1968 Medicines Act.

Wellcome had sought judicial review of a decision of the Depart-ment of Health and Social Security that possible trade-mark infringements were irrelevant to a decision whether or not to grant a licence. The case concerned one of Well-

come's main products, an anti-bac-terial medicine marketed in the UK under the trade marks Septrin or

Wellcome had an annual turnover of £9.5m in the UK for Septrin, which it also manufactured and narketed in other EEC countries either as Septrin or Eusaprim.

won a High Court victory in its bat- the name Septrin each year. It was tle to stop its trade marks being in-fringed by parallel imports of about 10 per cent of cases where pharmaceutical products from oth-doctors prescribed Septrin.

> The company complained that it was being seriously damaged by re-peated infringements of its trade marks. It said that, because Eusa prim cost less in other EEC coun-tries than Septrin did in the UK to sell it to UK pharmacists.

> ultimately at the expense of the British taxpayer - by dispensing Eusaprim because they were reim-bursed by the National Health Service on the basis of the UK price of Septrin, Wellcome claimed.

were a relevant consideration, the judge said he saw nothing to pre-vent the licensing authority asking Mr Justice Webster said that all applicants for licences whether they had reason to believe that the name applied for might be protected by a registered trade mark.

vent the licensing authority inform-Wellcome had calculated that ing any third party whose rights over £900,000 of Eusaprim was be-might be infringed of the terms of

Wellcome Foundation | Aluminium price climbs to highest level for 21 months

BY STEFAN WAGSTYL

ALUMINIUM prices have risen to their highest level for 21 months amid reports of shortages of metal held by stockholders.

Aluminium closed on Friday at

£859.90 (\$1,307) a tonne for metal for immediate delivery on the London Metal Exchange, £56 up on the week and £89.15 higher than at the beginning of the year.
Mr Ronald Shorr, an analyst at

Beer Stearns, the US broker, said: There's going to be a little bit of a mad scramble to get aluminium." Traders said the immediate cause of the price increases was an apparent fall in stocks in recent months. Figures published last week by the International Primary Ahminium Institute showed that stocks of primary metal in non-Socialist countries fell for the fifth month running in December - by 24,000

est level since spring 1986. Stocks in London Metal Ex-change warehouses of 109,475 tonnes are less than half their level at the beginning of last year.

Traders said that some mer-

chants, with access to metal sup-plies, are taking advantage of this near-term shortage. One company in a position to do this is Marc Rich, the Swiss-based trading company, which last year signed three agreements with US smelters securing

ALUMINIUM 820

Meanwhile, the short-term pattern of supply and demand has been distorted by growth of the market in aluminium options - contracts which give the buyer an option to buy metal at a fixed price at a future date (without putting him under an obligation to do so as in a standard futures contract). Because of heavy interest in options from speculative investors, who have no intention of taking delivery of metal at the end of day, traders found

ing demand from aluminium. uminium prices.

In a report published last week.

rising prices saying that supply and demand in 1987 would be virtually balanced at about 12.9m tonnes with rising production closing an existing deficit to consumption. Mr Wolff conceded that new

smelters were coming on stream – a 115,000 tonnes-a-year plant at Be-cancour in Canada and a 150,000 tonnes-a-year plant at Portland, in Australia. However, this could be offset by closures in Europe, where a number of smelters were unprofiable because their costs are calculated in currencies which have appreciated against the US dollar. Some 500,000 tonnes of annual capacity might potentially, be closed, said Mr Wolff's report.

Mr Wolff said that demand was more buoyant than had been expected, particularly in the US car industry, which collectively is one of the world's largest aluminium

aluminium analyst with Shearson Lehman Brothers, disagrees with Mr Wolff's forecast. He sees no reason why prices should rise once the market in the short-term have worked themselves out. Traders are As a result traders are divided still adjusting to the effects of about the underlying outlook for al- strikes in the US last year which

Perkins to cut diesel engine workforce by further 450

neasure in the diesel engine indus-

try.

demand afflicting the rest of the
The company has told its 4.100strong workforce that the cuts are
ing worldwide suffers from a 50 per

PERKINS, the diesel engine manuscription of the Varity competitive position. About 350 of Corporation, formerly Massey Ferguson, is making 450 workers redundant at its plant in Peterborough, Northhamptorshire in the Middlands, in another cost-saving years, is suffering from the same manufacturing over capacity. Cummins, the US diesel engine maker, announced towards the end of last year a rationalisation programme in the US and UK which included the closure of its component plant at Darlington, north years, is suffering from the same nent plant at Darlington, north kind of aggressive pricing and weak England. It confirmed last week the loss of 360 jobs in the north-east of

per cent. Much of these cost-cutting down engine kits. pressures are coming from Japa-

components plant was Cummins' ing at a rate of about 115,000 built failure so far to meet a target to cut production costs worldwide by 30 with a significant number of knock-Van Den Bergh and Jurgens, the

nese engine producers.

The plant which makes 3,4,5 and 8-cylinder engines up to 250 hp has the capacity to manufacture about rine works at Bromborough on the

Smaller companies 'perform the best'

SMALL QUOTED companies have been a significantly better investment than their larger counterparts, according to a new index aunched by stockbrokers Hosre

The Hoare Govett Smaller Companies Index - which is based on those companies which make up the lowest 10 per cent market capitalisation on the main UK stock market - would have outperformed the FT All-Share index by 6 cent a year compound since 1955. Thus, £1 invested in the HGSC in 1955 would have been worth £360 by the end of 1986, assuming reinvestment of dividends. On the same

Excluding the income element and concentrating on price gain, £1 in the HGSC index would have turned into £53 and £15 in the All-

Paul Marsh and Dr Elroy Dimson from the London Business School - says. concede, however, that there is considerable variation between years. The main HGSC index does not include unlisted stocks (USM), ai-The new index would have underperformed the All-Share in about a quarter of the years since 1955, and in 1975, the worst year, the HGSC underperformed by 36 per cent relevant to the All-Share in about a these included is available. The inclusion of USM companies, said Prof Marsh, produced "slight underperformance," compared with the tive to the All-Share.

The new index covers 1,206 companies, compared with about 730 in to allow for the entry of new issues the All-Share. It is an arithmetic in and the exit of companies which dex. like the FT-SE 100 share and have failed or been taken over only the All-Share, with each constituent once a year. It will, however, be weighted by market capitalisation.

The total market capitalisation is E31bn - £300bn for the All-Share - that the "average" stock in the inand the largest constituent at end-dex trades every three days, com-pared with over three times a day Not surprisingly, the average for the price-earnings ratio on the new in-tuent.

FTA All-Share Indices

basis £1 invested in the All-Share dex is higher than on the All-Share would have grown to just £71. - 16.3 against 13.5 - and the yield is slightly lower, at 3.4 per cent compared with 4 per cent.

The yield on smaller co has in the past exceeded that of their larger counterparts - explaining the marked outperformance in terms of total return, Prof Marsh

though an extended version with normal HGSC index.

The new index will be rebalanced

pared with over three times a day for the "average" All-Share consti-

OBITUARY

Dennis Poore: motor cycle industry leader

at the age of 70, was chairman of company was hit by unexpected Manganese Bronze for 21 years and problems, notably a long sit in at the main driving force behind the one of its factories and a determined assault on the European ment-backed Norton Villiers Tri- market by Japanese manufacturumph (NVT) motorcycle company

was best-known as a businessman for his role in the motorcycle indus-

After acquiring Norton from the tional Loadon taxi, Mr Poore also receivers, he built up the Norton faced the problems posed by high Villiers group and was then per-inflation and low productivity suaded by the Conservative Gov-which was common within the Briternment to lead the rescue of the ish engineering sector in the 1970s. troubled BSA-Triumph concern In the last five years, however, he with the aim of maintaining a viable UK industry.

In the last five years, however, he steered the group through a period of steadily increasing profits. able UK industry.

MR DENNIS POORE, who has died From the start, however, the new

Most of the NVT business was A motorcycle enthusiast and car eventually liquidated although Mr racing driver in his youth, Mr Poore Poore retained an interest in rotary engine development. At Manganese Bronze, the com-

pany which manufactures the tradi-tional London taxi, Mr Poore also



Contracts and Tenders



New International Passenger and Cargo Air Terminals Warsaw **Airport**

Lot Polish Airlines in co-operation with the Air Traffic and Airports Administration announce the registration and pre-qualification procedure of companies interested in planning, design and turnkey construction of the new international passenger and cargo air terminals and catering facilities in Warsaw, within the boundaries of the existing Okecie Airport.

All interested companies/persons can receive in English or Polish the general project guidelines for the development, commercial and financial conditions and the site drawings at the address below, upon payment of 100 US dollars fee, payment to be made to the National Bank of Poland, account number 1137-26, NBP XIII O/m Warsaw.

The scope of work includes design and construction together with delivery of building materials and equipment needed for said development and its assembly.

Applications from companies interested in partial deliveries, services or financing schemes with respect to all or any of the particular projects would also be accepted.

The closing date for submitting the registration documents to the address mentioned below is fixed at the 15th of May 1987. Further information can be obtained directly from this address.

> Lot Polish Airlines, Warsaw, ul. 17 Stycznia 39 Phone: Warsaw 46 04 80 Telex 814457 Lot Pl

GOVERNMENT OF INDIA AIR HEADQUARTERS, INDIAN AIR FORCE TENDER NOTICE

Company Notices

CREDIT D'EQUIPEMENT DES PETITES ET MOYENNES ENTREPRISES INTERNATIONAL ISSUE OF **\$CAN 50.000.000**

12 1/2 % 1983-1990

We inform the bondholders that in accordance with the terms and conditions of the notes, Crédit d'Equipement des Petites et Moyennes Entreprises has elected to redeem all of its outstanding notes on March 16, 1987 at 101,50%. Interest on the said notes will cease to accrue on March 16. 1987. The interest accrued since February 15, 1987 amounts to \$CAN 10,76 per note of \$CAN 1000 nominal, Redemption price per note of \$CAN 1000 nominal: \$CAN 1025,76

The notes will be reimbursed, coupons nr 5 due February 15, 1988 attached according to the terms and conditions of

THE PRINCIPAL PAYING AGENT SOCIETE GENERALE ALSACIENNE DE BANQUE 15, Avenue Emile Reuter LUXEMBOURG

GENERAL MOTORS CORPORATION

NOTICE IS HEREBY GIVEN that resulting from the Corporation's Declaration of a Dividend of \$1.25 (gross) per share of the Common Stock of the Corporation, payable on the 10th March, 1987, there will become due in respect of Bearer Depositary Receipts a gross distribution of 6.25 cents per unit. The Depositary will give further notice of the Sterling Equivalent of the net distribution per unit payable on and after the 16th March, 1987.

All claims must be accompanied by a completed Claim Form and USA Tax Declaration obtainable from the Depositary. Claimants other than UK Banks and Members of The Stock Exchange must lodge their Bearer Depositary Receipts for marking. Postal claims cannot be accepted. The Corporation's Annual Report for 1986 will be available upon application to the Depositary named below.

Barclays Bank PLC Stock Exchange Services Department 54 Lombard Street London EC3P 3AH

CONTINENTAL (BERMUDA) LIMITED USS250,000,000
Fineting Rate Notes due 2006
Gogranted by Norgarian Foreign Trade
MOTICE IS HEREBY GIVEN that for the Interest Period 18 Rebrusy 1987 to 18
May 1957, a neeted of 69 days, the Rate of Interest will be 6.75 per cent per single of 1987 to 18
May 1957, will be USS4171.88 for each Note of USS250,000.

CHARITY COMMISSION Common investment on the application of the chamites called the Maxor Trust and the Moulton Trust Fund
The Charity Commissioners have made the above Scheme made for the establishment of the Charishare Common Investment Fund. Copies can be obtained from them at St Alban's House, 57/60 Haymarket, London SWIY 4QX (ref 15/3/25-LC)

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LONDON ECAP 4BY

US\$300,000,000 Caisse Nationale des Telecommunications Floating rate notes due 2000

Notice is hereby given that the next interest Period chosen by Caisse Nationale das Talecommunications is one month, beginning February 20th, 1987. The Flecal Agent BANQUE NATIONALE DE PARIS (LUXEMBOURG) SA

DRESSER OVERSEAS FINANCE N.V. DRESSER INDUSTRIES, INC.

Copies of the Financial Systements for 1986 are now available and may be obtained from: Representative L. G. Moller DRESSER OVERSEAS FINANCE 8.V., DRESSER INDUSTRIES INC., 197 Knightebridge, London SW7 1RJ UNITED KINGDOM

Clubs

Art Galleries

ZAMANA GALLERY, 1 Cromwell Gardens, SW7, 384 5612. F55TVAL OF COLOUR, Paintings by Yound Artists from the Islamic World, Until 26 April. Tue,-Sat. 10-8.30, Sun. 12-3.30.

Personal

This advertisement complies with the requirements of the Council of The Stock Exchange. It does not constitute an offer of, or invitation to the public to subscribe for or purchase, any securities.

Redland Capital PLC

(Incorporated with limited liability in England)

£60.000.000

71/4 per cent. Convertible Bonds Due 2002

guaranteed on a subordinated basis by, and convertible into Ordinary shares of

Redland PLC

Issue Price 100 per cent.

The following have agreed to subscribe or procure subscribers for the Bonds:

Baring Brothers & Co., Limited

Swiss Bank Corporation International Limited

Nomura International Limited

Banque Bruxelles Lambert S.A. **Deutsche Bank Capital Markets Limited** Morgan Guaranty Ltd

Morgan Grenfell & Co. Limited S.G. Warburg Securities

Banque Nationale de Paris EBC Amro Bank Limited Morgan Stanley International Union Bank of Switzerland (Securities) Limited

The issue price of the Bonds is 100 per cent. of their principal amount. Application has been made to the Council of The Stock Exchange

The Bonds will bear interest from 3rd March, 1987 at the rate of 71% per cent, per annum payable annually in arrear on 28th January, except that the first payment of interest will be made on 28th January, 1988 in respect of the period from 3rd March, 1987 to 28th January, 1988 and will amount to £65.45 per £1,000 principal amount of a Bond.

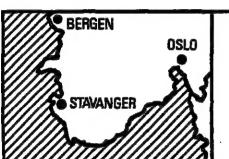
Listing Particulars relating to the Bonds, the Issuer and the Guarantor are available in the statistical service of Extel Financial Limited and copies may be obtained during usual business hours up to and including 18th February, 1987 from the Company Announcements Office of The Stock Exchange and up to and including 2nd March, 1987 from:

Redland PLC Redland House, Surrey RH2 OSI Baring Brothers & Co., Limited 8 Bishopsgate, London EC2N 4AE

Cazenove & Co. 12 Tokenhouse Yard London EC2R 7AN

The Chase Manhattan Bank, N.A. Woolgate House, Coleman Street,

16th February, 1987.



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from the fields of science, industry and

politics.
The International Telecommunica-

tions Congress is a uniquely informa-

tive event. One that you can't afford to

The first of the f

corporate competitiveness.

mistakes avoided.

COMMERCIAL LAW

Charterers not held liable for congestion delay

MARC RICH & CO LTD v TOURLOTI COMPANIA NAVIERA SA Queen's Bench Division (Commercial Court): Mr Justice Anthony Evans: February 9 1987

WHERE a charterparty provides that charterers are to be exampt that charterers are to be exampt that charterers are to be exampt discharging berth was an "unavoidable hindrances" prevent them from discharging, they are not liable for demurrage incurred when congestion, which began during laytime, temporarily prevents the vessel from reaching her discharging berth was an "unavoidable thindrances" within the clause. They said clause 36 only operated in terms of demurrage. Clause 38 was in direct conflict in favour of either party when, as a vessel of some major and truly extended the provided "if the consequences, if discharging was prevented, was measured in terms of demurrage. Clause 38 was in direct conflict in favour of either party when, as a co

Mr Justice Anthony Evans so held when dismissing an appeal by Marc Rich & Co Ltd. owners of the Kalliopi A, from an arbitrators decision that charterers Tourioti Com- that time. But they rejected the fur-

safe berth Bombay or so near thereto as she may safely get ... and there deliver the cargo." The master tendered notice of

readiness to discharge on June 30. The vessel was then within the port of Bombay and ready to discharge, but owing to non-availability of any discharging berth she was an-chored at the pilot station.

She moved to inner anchorage on Sentember 8, and some cargo was discharged into lighters, and she fi-nally berthed on September 28, resuming discharge the following

day.

The charter entitled the vessel to give notice of readiness to dis-charge "WIBON" (whether in berth or not). Time allowed for discharging expired on August 20.

The obligation to pay damages af-ter August 20 was admitted, subject to the effect o clause 36 of the charterparty, which provided "strikes or stoppages and all . . . other unavoid-able hindrances which may prevent ... discharging ... always mutually

The charterers contended that the congestion which prevented the vessel from reaching the discharging berth was within the clause, and that "always mutually except-

scribed as demurrage.
The congestion began during laytime. It was therefore, not a case where clause 36 was relied on to exclude liability for the consequences of an event occurring when the charterers were already in breach of contract. The charterers interpretation of the clause meant that the exemption only became effective when, laytime having empired, the charterers became in breach. The shipowners disputed the con-

was impossible.

The arbitrators accepted that "uncision that charterers Touriou Com-pania Naviera SA, were exempt from demurrage liability in respect of delay caused by congestion.

HIS LORDSHIP said that by a voy-age charterparty dated May 24 1983 the agreed destination was one the agreed destination was one construe clause 36 as preventing laytime from running. The very purpose of the WIBON provision is to the contrary."

In the Amstelmolen (1961) 2 Lloyd's Rep I the Court of Appeal held that congestion of loading berths by other shipping amounted to an "obstruction beyond the control of the charterers" within the Centrocon Strike clause. In the light of the case, "all ... other un-avoidable hindrance which may prevent ... discharging ... did cover congestion at the discharging

Mr Mildon submitted that the eiusdem generis rule of construction should apply.

Apart from the difficulty of ident-Apart from the emerged germs, the words were wide enough to include at least a well recognised kind of "hindrance", as congestion was.

He also submitted that the clause

only applied when the cause of delay was somehow exceptional or ab-

Given that clause 36 covered congestion and that it applied only when that or another specified cause prevented discharging, there was no justification for holding that some such word as "unusual" or "exceptional" must be implied. Nor ed" were words of exception apt to exempt them from liability to pay liquidated damages, commonly described as demurrage.

was there any general rule which prevented the clause from applying when congestion was normal and known to both parties.

The issue on the present appeal was whether clause 36 operated to exclude the charterer's hability for

demurrage. ing place.

To have that effect it must be clearly intended to do so. Short of identifying "demurrage" by name, the words were clear. "Unavoidable "Holman, Fenwick and Mildon (Holman, Fenwick and Intended to the ship owners: David Mildon (Holman, Fenwick and Intended to the ship owners) hindrances mutually excepted was commercial shorthand for "neither party to be liable for the conse-quences of," and the charterers' lia-

WHERE a charterparty provides tention that non-availability of a bility for the consequences, if dis-

Reading the charterparty as a whole it was permissible to give effect to clause 36 as an exception to the liability otherwise imposed by

Mr Mildon submitted that even so the clause only operated when discharging was "prevented." meaning total prevention either permanently or for long enough to frustrate the charterparty. The present case, he said, was one of delay rather than prevention in that sense. It was true that many clauses

used the phrase "prevent or delay," so that "delay" was conspicuously absent here, but Lord Reid's analysis of the Centrocon clause in The Spalmatori (1964) AC 868 made the different distinction between "prevent" meaning a stoppage of work and "delay" meaning that the operation was prolonged and com-pleted later without stoppage at any

"Prevent" meant that loading and discharge could not be begun or continued for a time, and the exception relieved charterers for liability for denurrage which otherwise be-came due in that period. Mr Collins for the charterers was right to concede that there was no defence under clause 36 in respect of periods when the vessel was able to dis-

Mr Mildon argued that the vesse was not prevented from discharging by congestion of the discharg-ing berths because she could discharge while at anchor, that being the position "so near thereto" which became the contractual destination. It was, however, merely the alt-

....

ernative destination, and the ship-owner was not entitled to treat it as the agreed discharging place. That remained "one safe berth Hombay." Clause 36 exempted the charterers from liability for demurrage in respect of the period when conges-tion prevented discharge from tak-

Mildon (Holman, Fenwick and

Rachel Davies Barrister

4th-6th March 1987 International Telecommunications Congress

The Congress Program

- Wednesday, 4th March, 1987:
- A) Opening session
 Topic: The strategic importance of
 telecommunications for international competitiveness
- Chamman of the Supervisory Board of Deutsche Messe- und Ausstellungs-AG, Minsiter of Finance in Lower Sexony,
- West Germany H.-H. Lange
 Member of the Board of Management of
 Deutsche Messe- und Ausstellungs-AG,
- West Germany Prof. Dr. E. Witte
- Institut für Organisation, Munich University, West Germany Dr. Gerd Wigand Chairman, Information and Communication Technology Association within German Electrical and Electronic
- Manufacturers' Association ZVEI M. Carpentier General Director of the Task Force on
- Information Technologies and Tele-communications of the Commission of the European Communities, Brussels, Belgium President, MCI International, Washington DC, USA
- American Telegraph and Telephone (AT & T),
 Basking Ridge NJ, USA

 J. McMonigall
 Managing Director, Bruish Telecom,
 London, U. K.
- Thursday, 5th March, 1987: B) International telecommunications
- Topics: B.1. Survey of current status and trends in the networks and services of West Germany, Great Britain and the USA
- Prof. Dr. Dr. W. Kaiser Institut für Nachrichtenübertragung,
- Stuttgart University, West Germany R. Dingeldey Central Telecom
- Darmstadt, West Germany
 J. McMonigall
- British Telecom, London, U.K.
- American Telegraph und Telephone (AT & T), Basking Ridge NJ, USA
- B.2. Survey of current status and trends in the networks and services of France,
- Japan and the Netherlands H. Seguin CNET, Paris, France
- Y. Maruyama NEC, Tokyo, Japan Dr. C. Witz
- PTT Niederlande, Den Haag, Netherlands Direction Générale des Télécommunica-
- tions, Paris, France B.3. Survey of private carrier services
- with worldwide operations Prof. Dr. Dr. W. Kaiser Institut für Nachrichtenübertragung, Stuttgart University, West Germany

- H. Hildebrandt Diebold Deutschland, Frankfurt,
- West Germany Thursday, 5th March, 1987:
- C) Deregulation Topics: National and international aspects of regulation and deregulation
- Dr. F. Arnold SCS Scientific Control Systems GmbH. Bonn, West Germany
- Dr. H. Ungerer Commission of the European
- Communities, Brussels, Belgium D. Diaz Dennis Federal Communications Commission Washington DC, USA
- Friday, 6th March, 1987: D) International examples of
- practical applications Topics: D.I. Industry Dr. H. Karl CSID, Frankfurt, West Germany
- H. Ringmaier Osram, Munich, West Germany
- Dr. H. Schappert Bayer, Leverkusen, West Germany
- U. Schilbach Digital Equipment, Munich,
- West Germany Ford-Werke, Cologne, West Germany
- D.2. Trade, transport, traffic Prof. Dr. V. Speidel Institut für Seeverkehrswirtschaft
- und Logistik, Bremen, West Germany J. Caldwell
- Atlantic Container Line, Southampton, U.K.
- G. Eggert IKEA, Werne, West Germany LEP International, Epsom, U.K. H. von Salzen
- Bremer Lagerhaus-Gesellschaft, Bremen, West Germany B. Schwab
- Transpotel, Hamburg, West Germany D.J. Banks H. Plenk
- Institute for Bank Strategies, Meran, Italy B. Brachtl IBM Deutschland, Böblingen, West Germany
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UK NEWS

Andrew Taylor looks at the decision to end a 50-year-old price cartel

Upheaval in the cement market

THE BRITISH cement industry is facing its biggest upheaval for more than half a century. The decision by the three UK cement manufacturers last week to scrap their common pricing agreement ends a price-fix-ing cartel which has been in existence since 1934.

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Manufacturers will now be able to compete on price with each other and with cement imports and other building materials which have been eating into traditional domestic cement markets.

The move has as much to do with the internal battle for market share between the main British cement producers as it does with need to free the industry to compete more effectively with imports and other

products.

Mr Jim Owen, managing director of Ready Mixed Concrete (RMC), the cement industry's biggest single customer, is not surprised that the pricing pact has ended. "It has been under strain for some time. It is no secret that in a bid to win business cement makers have been offering under-the-counter discounts, contrary to the pricing agreement."

RMC is also a purchaser of Greek cement which started to be imported into Britain last year. It is cheaper and of equivalent quality to British cement. We huy only a very small amount, but we believe we are looking after the best interests of our shareholders," and Mr Owen. Blue Circle, Britain's biggest cement manufacturer, is the driving

force behind the decision to end the agreement. It does not believe the move will herald a price war but will allow companies to compete

UK Cement 20_ Production 60_

the ending of the agreement will help it to reverse that trend. It argues that restrictive pricing has cushioned manufacturers from the realities of the market place, made them more inefficient and in-hibited management from carrying out much-needed rationalisation of the way in which domestic produc-

ers operate and compete. It says that companies, free from price competition, have been pre-pared to deliver cement long dis-tances to break into local markets where they do not have plants. In an open market they could expect to be undercut on price by local pro-

This is an important point for Blue Circle which has a much wider more efficiently.

Blue Circle has seen its share of does its two British rivals Rugby the UK market slip from around 60

Portland and Rio Tinto-Zino which

Last year the three manufactur-ers sold around 13.4m tonnes of cement in the UK. This compares with an average of 17.5m tonnes sold each year between 1988 and

The industry has also had to face the threat of cut-price imported ce-ment. Imports, mostly bagged cement from Poland and East Germany, last year rose to 488,000 tonnes. This still represents only just over 3 per cent of total sales, but manufacturers fear that tonnages could increase as importers

gain a footbold. The arrival last summer of the first boatload of Greek cement, 600,000 tonnes a year.

accept that the common pricing pol-icy has tied the industry's hands Greek Government, sent British during a period when it is facing in-creased competition from other pean Commission in Brussels to

Domestic producers must also contend with increased competition from other products such as pulver-ised fuel ash and blast furnace slag used in the manufacture of con-

Pulverised fuel ash, produced by power stations, can improve the flow of concrete and reduces heat during setting which can cause cracking. It also means that less cement is required.

It is estimated that the use of ad ditives such as pulverised fuel ash has reduced cament sales to con-

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Orion Royal Bank Limited, 1 London Wall,

16th February, 1987

GM division leads race for radiator group

BY JOHN GRIFFITHS

GENERAL MOTORS' Harrison Radiators and diator division has become the front runner to acquire Rover Group's parts for GM's Opel cars subsidiary subsidiary, Vauxhall/Opel. Llanelli Radiator subsidiary, based in Dyfed, South Wales.

A team from the New York-based GM subsidiary is visiting the plant. An agreement is expected to be signed by the end of March. Harrison Radiator's interest in

the plant followed an approach

from Rover Group's financial advis-Harrison Radiator already has a facility in France, which produces

and other customers in Europe. A Harrison Radiator spokesman said that the company saw the potential acquisition of Llanelli Radiator, which has more than 800 employees, as providing the base for a Eu-

how far negotiations had advanced. £30m, Llanelli Radiators is a sub-

having been transferred there from the Unipart parts division in January 1985, more than half of Lianelli's annual turnover comes from non-Rover group companies.

An Austin Rover spokesman would confirm only that GM was "among several parties" which have explored buying the Lianelli company. They include a management

Lianelli Radiator is said by its parent Rover Group to be trading profitably, but no details have been

Austin Rover depends on Llanelli for its own radiator and seat frame supplies. No conflict of interest is seen under GM ownership, however, as other GM plants are well-established suppliers of others com-ponents to Rover Group companies

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As Europe's largest elec-

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niques. It is pioneering new industry standards for optical fibres and transmission systems.

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PHILIPS



The great Airbus, Eurotunnel muddle



HEN it comes to giant investment projects genitally incapable of striking a sensible balance between private and public sector inis the Channel tunnel. The first attempt to raise private risk capital in Britain for this spectacular infrastructure project was saved from ignominy only by judicious telephone calls to the big investment institutions by Mr

investment institutions by Mr David Walker of the Bank of England. The result is that a second capital raising attempt later this year will labour under the disadvantage of eartier bad publicity: Any investment that needs a call from the Bank to keep it aftest must be fishy, runs the argument—and the mixed metaphors in no way retract from its plausibility, especially when awkward questions remain about the management.

In contrast, we now have the same Tory government falling over itself to pump money into the next genera-

tion of the European Aktius project. This is by any standards a highly speculative investment since the potential demand, especially for the A340 version of the Airbus, remains very uncertain. The Government claims to believe that the thing is commercial. Yet British Aerospace, which wants to make the wings, is not raising private risk capital for the venture. And the taxpayer may never know whether the money shows a proper return since neither Airbus, nor any of the participants in the project, nor any of the governments that finance the programme, will reveal the figures.

If the politically non-aligned Institute for Fiscal Studies is to be believed. Labour is no less capable of contentious behaviour on the issue of public sector financ-

ing. Indeed, the IFS seems to think Shadow Chancellor Roy Haftersley is barking up several wrong trees. In a report published last week th concludes, among other things, that Labour's case for a new National Investment Bank is pretty unconvincing and that the proposed means of financing the bank are

Why all the muddle? The problem on the Tory side starts with an over-crude equation: private sector good, public sector bad. This has no justification in economic theory. Indede, if hard-line Thatcherites took the time to read Adam Smith's Wealth of Nations, they would find a classic case for public sector. investment based on the divergence between private and social advantage.

unduly complicated.

Smith cites the example of

lighthouse keeper cannot reach out to collect fees from ships, in exchange for saving lives and goods; and the light is most efficiently provided free of charge by the state since it costs no more to warm a hundred ships than a single ship of the threat of rocks.

The case for public finaneing of infrastructure projects like the Channel tunnel is more complex. But using public funds is perfectly respectable where the risks to society in the project are less than there are to the project are less than they are to the private inves-tor; or again where there are wider benefits to society. If the Government believes that there is an economic case for the tunnel, there is surely a call for public finance

Airbus, however, is some thing else again. The argu-ments for government support rest on the fear of an

American monopoly, or more specifically a monopoly for Boeing, in a key high technology industry. They also draw strength from the fact that Boeing and other US competitors of British Aerospace enjoy huge subsidies arising from the Pentagon's financial support for military projects. Non-disclosure of the non-returns on Airbus can projects. Non-disclosure of the non-returns on Airbus can then be justified on the ground that to reveal the extent of the losses would provide the Americans with ammunition in the war of words over alleged European protectionism.

Suspicious minds will none-theless see something more than coincidence in the way man commence in the way inherent. Tory prejudices against public support for British industry seem to melt away when elections loom. They may also note that a powerful mationalistic streak in Mrs Thatcher's Cabinet sometimes finds an outlet in aggressively ...mercantilist poeturing on trade issues. Labour's problem is a rather different one. It bolls rather different one. It bous down to the fact that many of the party's economic nestrains are heavily influenced by friends in the TUC, but much less influenced by people with practical experi-

people with practical experi-sions of repairiate the British investment institu-tions' overseas nest egg are undeniably clever and would certainly provide some addi-tional support for sterling in markets that are the support for suspicions of Labour.

But in a world where capital flows more freely than ever between different finan-cial centres, a Labour govern-ment could finance a sizeable current account deficit on the balance of payments without such help. And as the IFS

points out, there is no neces-sary connection between the repatriation of funds and the financing of the National Investment Bank.

Oddiy enough, one of the few things that some City folk think a National Investment Bank might usefully do is to provide finance where, as in the case of British Aerospace and Airbus, a company cannot support a large Aerospace and Airbus, a com-pany cannot support a large potentially worthwhile pro-ject on the basis of its exist-ing balance sheet. Their worry is that such decisions would be unduly influenced by political considerations, which is just what the scep-ties are saying about the pre-sent Tory Government's sud-den entitusiasm for Airbus. den enthusiasm for Airbus.

Maybe the great ideological divide is less than we are encouraged to believe. Until the election is out of the way, that is.

Hard pressed in Singapore

S INGAPORE's effective ban takined factual errors and that on the Asian Wall Street Mr Duthie was blased against the Government.

declined to publish a letter from a government official, has presented the owners of this famous financial newspaper with a legal poser.

takined factual errors and that Mr Duthie was blased against the Government.

The editor replied that an investigation had revealed no infamous financial newspaper with a legal poser.

with a legal poser.

action will, from today, restrict the paper's circulation in Singapore to 400 copies an issue. The Hong Kong-based regional business sells about 5,000 copies in law las

Journal has been engaged in a running battle with the authorities. Last June the Singapore to be a newspaper engaging in the domestic polities of Singapore. The legislation does not define what "engaging in the domestic polities of Singapores about a commission set up to investigate allegations (by the opposition leader of the Workers Party, Mr Ben Jeyaretnam) that the Government had tampered with the judicial system. The police twice interviewed the paper's Singapore correspondent, Mr Stephen Duthie, an American citizen, who wrote the article. The latest dispute again centres on Mr Duthie, who wrote last December about a second tier stock market, the Stock Exchange of Singapore Dealing and Auto-Quotation

invited Mr Koh to write for publication a letter stating his point ween government officials and executives of Dow Jones failed to resolve the differences. When the editor declined to publish Mr Koh's letter, because the local judiciary both with some novel legal issues that it has barely confronted before, and with a direct challenge to its proclaimed independence from government.

The Singapore Government.

Under Section 18A of the Newspaper and Printing Presses Act 1974—introduced into the law last August—the minister The Asian Walt Street "may, by order published in the Gazette, declare any newsrunning battle with the pore to be a newspaper engagauthorities. Last June the Singapore police conducted as

> in administrative law in the common law countries (which include Singapore) hold out some hope to the proprietors that they could argue that the minister has acted illegally.

The law generally provides that, in exercising a power to Mr Koh Beng-Song, director that, in exercising a power to of the banking and financial ban foreign newspapers, the institutions department of the minister must direct himself monetary Authority of Singapore, wrote to the editor complaining that the article conclusion that Mr Duthie's

Bank Leu International Ltd.

7'4% US\$ 40 million Guaranteed Notes with Warrants Due 1989

At the Annual General Meeting of Stockholders of Bank Leu Ltd, Zurich, to be

the Company's Capital in Bearer Participation Certificates (BPCs) by offering one

new BPC of SFr. 100.- nominal value for every 10 BPCs outstanding at that date

at the price of SFr. 400.-. The new BPCs will be entitled to dividend and/or other

distribution starting with any distribution to be made with respect to the financial

In connection with this capital increase, the holders of the Warrants of the 73/16

US\$ 40 million Guaranteed Notes with Warrants of Bank Leu International Ltd...

a) exercise of the Warrants to purchase Bearer Participation Certificates cum sub-

b) the exercise right of the Warrants will be suspended starting from 3 March 1987.

terms of the Instrument relating to the Warrants and published as soon as possible thereafter. The exercise right of the Warrants will cease to be suspended

Euro-Clear

10101

10102

The new exercise price will be determined on 7 April 1987 in accordance with the

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Swiss Security No.

642910

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scription right can take place up to and including 2 March 1987;

from the date of publication of the new exercise price.

held on 12 March 1987, the Board of Directors will propose an increase of

Notice to the Holders of the Warrants under the



article contained no factual errors and that he had not behaved unprofessionally, it might further conclude that the minister had misdirected him-

Likewise the court would quash the minister's order if it concluded that no reasonable minister, properly directing himself, could reasonably have come to the conclusion that the come to the conclusion that the Journal was engaging in the domestic politics of Singapore. A court might well interpret the law as meaning that the newspaper was going beyond accurately stating the facts about an event without expressing an opinion. Mere reportage would not be "engaging" in politics. It is only the free comment and not the sacred comment and not the sacred fact—to adopt the C. P. Scott dictum—that would fall foul of

Any resort to the courts of Singapore, which incidentally retains the Judicial Committee rerains the Judicial Committee of the Privy Council as the final court of appeal, would be watched with the keenest interest both inside and outside professional legal circles. The judges of the Singapore Supreme Court are unaccustomed to challenges by way of judito challenges by way of judi-cial review of ministerial decision-making.
Last November the Supreme

Court of M expulsion order against an American journalist for the Asian Wall Street Journal from Kuala Lumpur, on the grounds kusla Lumpur, on the grounds that the Malaysian Government should have given reasons for the revocation of the journalist's work permit. If the Singapore Court follows this example, it was provide encouragement. it may provide encouragement for the owners of the Asian Wall Street Journal.

INTERVIEW

The harsh light of Day

Hazel Duffy talks to Graham Day,

Rover's abrasive charmer

Ta dessicated calculating machine," says a shipbulidag trade union leader, borrowing the phrase Aneurin Bevan originally used to de-scribe Hugh Gaitskell, "You can have a perfectly pleasant chat with him, but I think he looks at everything in purely arithmetical terms."

Day, the 53-year-old Canadian who heads the Rover group first made his name in Britain as troubleshooter at the feelin-ing Cammell Laird shipyard in Birkenhead in the early 1970s. But it was the years between 1983 and 1986, when he ran British Shipbuilders, that earned him Mrs Thatcher's admiration and the appointment to Rover. During those years, he cut the losses at shipbuilding, sold off the warship yards for a better price than the Government had dared to hope, and presided over shrinkage of the merchant shipbuilding workforce from 17,200 to below

Union leaders realise now that there was probably nothing they could have done to stop him, but they still think that he could have left the industry with more harmonious relations. It is difficult to reconcile this

characterisation of Day with the polite warmth - familier, but not cringingly chummy— which he extends to the media, and, it is said, to ministers. "He weaves a web of charm around them", says an observer.

asked for a £400m injection of funds. "The assumptions have all been remarkably wide of the mark. The talk about strategy has all been simplistic".

he should never have job in the first place.
"There was no powas only ideology he

Then the resolve he has displayed in discussions with the unions, politicians and other managers breaks through quite unexepectedly.

"It's interesting that there have not been any leaks about the plan" he says. Is it true that he has threatened to sack any-one caught leaking information? "Absolutely, and I'd sue for damages too, he replies with-

"I often say to people, I never lie and I never bluff. A couple of people tried that on me here. Quite senior people. They don't work here any more," he re-

Day first came to work in Britain to run Cammell Laird, in 1971. He was 38. He must have been like a breath of fresh air in an industry weighed down with archaic management and union practices. He did all the things that might be ex-pected of a North American returning to otd country—eat-ing in the canteen, starting work at the same time as the workers, even getting a clean-ing lady to launch a ship.

But Day was not just image-building. He also managed his fellow managers as well as the workers. "We fired the finance director on the first day. I had asked him what the true cash position was. He said it was difficult to say, it would take him about three weeks to deter-

man, he found that, technically, the company was insolvent and should not have been trading.

He persuaded Christopher Chataway, the then Industry Minister (the company was by result, one was actually able to then half state-owned), to provide a \$3m standby credit. "We never used it, but we had the assurance that we needed to found himself a free agent.

With the aid of a new finance

Ta dessicated calculating machine," says a liding trade union leader, ing the phrase Aneurin originally used to dethey perform well. That means I am keen to make sure that they are fully briefed on issues where there is some sensitivity as well as where they have to

> " Take the fresh development contract announced with Honda for a mid-sized car in December on the surface, straight-forward. But it is Honda, there is speculation about what our relationship is with them. So I make sure ministres are pro-perly briefed before the announcement.

"I tell the whole truth, I say that no minister of mine has ever been bounced in public by something which I did or failed In 1976, when the bill to

nationalise shipbuilding was dragging through Parliament. the relationship between Day and his minister—Gerald Kaufman—was not so straightforward. Day was chief executive designate of British Shipbuilders. He gave up the job in November, seemingly frus-trated at the political delays, while the industry's prospects were deteriorating almost daily. Had he left because he knew the industry was high and dry and that the job therefore was

not as he had originally envisaged? them", says an observer.

The conversation turns to felt without a doubt that I Day's first corporate plan for Rover, submitted to ministers last December. He dismisses press speculation that he has asked for a \$400m initiation. his opinion, and he now admits he should never have taken the

> "There was no policy. There was only ideology he says." "It wasn't even a question of keep-

PERSONAL FILE 1933 born Halifax, Nova Scotla 1954 graduated in law, Dalhousle University 1964-1971 Canadian Pacific 1971-1975 Cammell Laird

1975-1976 deputy chairman, Organiz-ing Committee for British Ship-builders 1977-1981 Professor of Business Administration, director Canadian

Marine Transportation Centre, Dalhousic University 981-1983 vice-president Dome 7981-1983

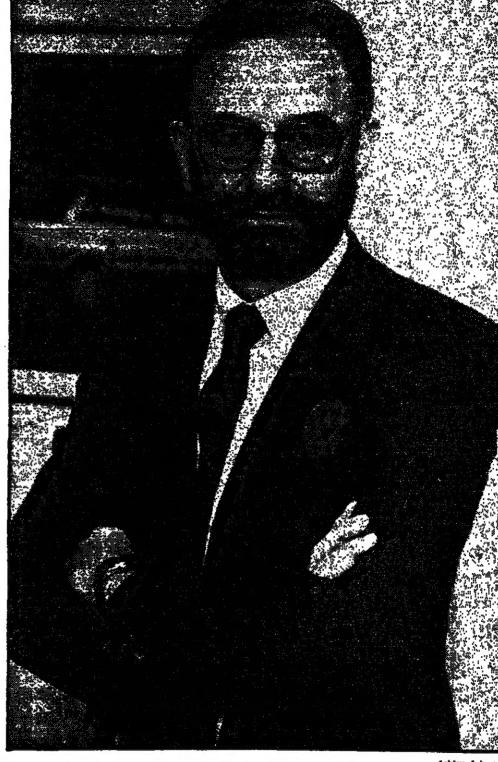
1983-1986 chairman British Ship-

ing alive as much of the industry as possible. The only thing was nationalisation. I remember saying what the likely prospects for the industry were, which were pretty horrific. In the event, my worst forecast was more optimistic than what has happened. But because they were horrific, nobody wanted to believe my forecasts.

"I believed that one would

not have had the facility to manage the industry. I would have been minding the store, I would have been the front guy. I would have been unhappy with them and they would have been unhappy with me."

That, says Day, is why he negotiated guidelines with the Thatcher Government when he came back to British Ship-



second choice of career. His first was showbusiness, where he continued to earn "a chunk" of his living, a bit as a singer, mainly as a producer.

He practised as a barrister in small Nova Scotia town but a small Nova Scotta town but then came an approach from Canadian Pacific, which wanted him to join as a lawyer. He accepted, started work for CP in 1964 and gave up all his other activities to devote himself to the new job. "It came at a good time because I believed I had reached a point where I was doing more and more of the same thing and I more of the same thing and I wasn't growing. If you don't grow then you slide back.

"To work for Canadian Pacific, you were working for the country, not just earning a living," says Day. That idea is still important to him. "I want to feel that I'm doing more than earning a living."

Day's "troubleshooting" era had begun. He worked on "prob-lems" at CP and learned about management. "The chairman at management. "The chairman at that time was a guy called Norris Crump, a born leader who always had the grace to say "thank you". In your early 30s, the fact that somebody in his mid-60s made an effort to say that when he didn't have to was a great motivator."

Crump retired. His successor

Day went back to his old died suddenly. The next chair-university, Delhousie, in Hali-fax, Nova Scotia. He had graduated as a lawyer from Delhousie in 1956. Law was his failed to motivate people, to plan strategically. He operated in a very secretive way and told you only enough to enable you to do a specific job."

Day was sent to England to make sure that CP got the ships being built for them at the

His reputation among trade unionists has always been that of a tough man

troubled Cammell Laird yard. He stayed on to run the show and left CP.

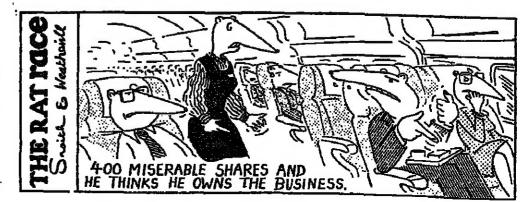
Today, he feels more "com-fortable" working in Britain — before coming back in 1983, he had had a further short and salutory bout of Canadian business life at Dome Petroleum, the big oil and gas company which hit serious financial trouble shortly after his arrival,

Could it be true then, that he came back to Britain because he did not have another job to go to? "Not so. I turned down a job in Canada, in the petroleum industry, which carried twice the salary."

Canada could again provide the exit route if Day's style ran against the grain of, say, a future Labour government. He met John Smith, the Labour spokesman on trade and industry, for the first time over lunch at the Longbridge plant recently, and found him "pleasant, witty, very articulate."

"At the Labour Party conference, before he had met me, he said—and I'm paraphrasing him—that unless I saw the error of my ways, perhaps I wouldn't be here under a Labour government. Saying things at con-ference is different to being a minister, but if he should be Secretary of State, then it's entirely up to him wether he

wants me to stay." Day has always had a reputa-Day has always had a reputa-tion among trade unionists as a tough man—a view which has now extended to his managers. "Since his threat to sack any-one who leaked information, they are drightened to death." Says a shop steward at Austin Rover. "They don't tell us anything. He has met the national officials twice, but we have not seen him. As far as we are con-cerned, he's a Thatcher amointee and he manges by edict."



Zurich, 16 February 1987

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FINANCIAL TIMES SURVEY

Monday, February 16, 1987

Electricity Supply

In Britain, electricity is winning an ever-larger part of the energy market. If the industry has its way, the nuclear element will be doubled by the year 2000

Blueprint for expansion

N THE midst of Britain's coldest winter on record, it would not have been entirely By Maurice Samuelson of the final user-market is expected to grow from about 15 per cent in 1983 to almost 20 per would not have been entirely surprising last month if the lights and electric fires had

gone out.
Besides disrupting public services, power-cuts could have vices, power-cuts could have disabled domestic cookers, kettles, washing machines and a host of other appliances while the controls on millions of gas central heating boilers would have also been affected, bringing widespread discomfort and danger.

Expensive as the basic fuel for most power production.

In Britain, this debate is about to gain a new, and decisive lease of life after the appearance of the long-awaited Layfield Report which gives strong backing for the Sizewell B Pressurised Water Reactor project.

danger. Blackouts did occur in parts of South East England. But in most of the country, the only sign of strain on the system was the occasional flickering of the lights or when large factories, with legally interruptible contracts, were briefly discon-

Power supplies generally were maintained, however. Industry did not suffer seriously and most people in Britain watched the worst of the weather on television from the comfort of their armchairs. In maintaining supplies, the UK electricity industry was meeting its obligations enshrined in its legislative framework Even so, the simultaneous blockwards and the samultaneous blockwards a taneous blackouts in large areas of France were a sobering warning that secure electricity sup-plies should not be taken for

For several years, public interest in electricity has centred mainly on whether it

nuclear power or other options now that oil has become too expensive as the basic fuel for

If the electricity industry has

its way, and a chain of four or five PWRs are constructed, the nuclear element will be doubled to 30 per cent by the year 2000, heading towards 42 per cent in 2020. Coal consumption may remain at about present vels, but that depends on continually rising electricity

But although this demand is crucial to the planning of new capacity, the debate about coal and nuclear power is sometimes so heated that it obscures the importance of the electricity itself, and its role as an engine of growth and of technological and social change

More primary fuel is con-sumed by electricity production than any other industry—some 35 per cent in the member coun-

In Britain, where demand is growing faster than planners had earlier expected, the last four years have seen steadily rising sales, compared with the successive falls of the three pre-

ceding years.
Sir Philip Jones, chairman of the Electricity Council, embracing the 12 area boards of Eng-

The biggest growth has taken place in domestic off-peak con-

cent in the year 2000.
In the IEA countries, compris

ing the leading non-Communist industrial States except France, 42 per cent of electricity is used by industry, 32 per cent in home-heating and—the fastest grow-ing sector—24 per cent in com-mercial and public buildings.

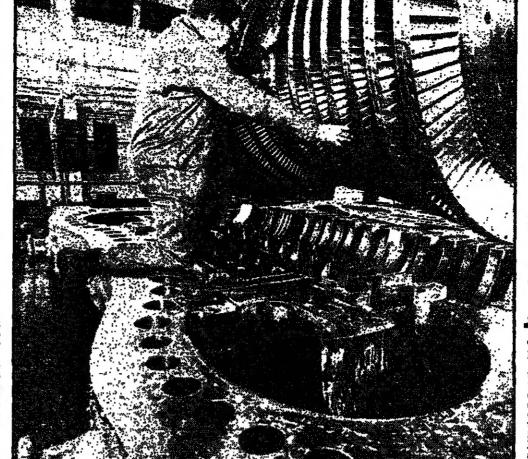
land and Wales as well as the Central Electricity Generating Board, attributes this to the "increased attractiveness of electricity" and to successful marketing efforts—and not simply to industrial recovery.

"We now have a plan for growth, backed by our sales engineers in all areas," he says, engineers in all areas," he says, electricity than with gas-fired terraced houses by engineers in all areas," he says, electricity than with gas-fired terraced houses by electricity than with gas-fired terraced houses by electricity than with gas-fired terraced houses by

sumption as well as in shops and offices. Last year, domestic tries of the International sales grew 46 per cent, commerEnergy Agency.

Electricity is moreover winning an ever-larger part of the energy market: its penetration sales grew 46 per cent, commerfrom 359,000 as year in 1982 to state with e sponding to industry 4.3 per cent.

The electricity industry, and test of equals the appliance manufacturers, are marketed under the Ecomake no secret of their intense.



British-made turbine generators being checked at the GEC plant at Rugby for the Castle Peak power station in Hong Kong.

nomy 7 scheme, which enables rivalry with gas. Four years ago, consumers to pay less than half this led to an outbreak of the standard rate by charging "knocking advertising" between up its storage heaters and using the conflicting interests.

This open warfare has been peak consumption hours when replaced now by a more marginal electricity is decared.

engineers in all areas," he says, electricity than with gas-fired predicting that electricity's central heating. With the trend share of the energy market will go up from 14 per cent to 17 per cent by 1992.

The history counts have taken 80 per cent of new homes.
The trend is mirrored in the sales of storage heaters which have risen steeply and steadily

This open warfare has been replaced now by a more sophisticated form of competition. But with British Gas firmly in the private sector, electricity needs to sell itself more effectively and commercially than

was in the corporate advertising campaign, launched last March, proclaiming electricity as "the energy for life." It coincided with the start of the gas indus-try's blockbuster sales of shares

But with electricity still a state utility, it is hardly a contest of equals. Even after the sell-off of the British Gas

heard in electricity circles that although gas is no longer selling at a loss, its price is still too low. The electricity industry's prices, on the other hand, depend largely on the financial target set by its sole owner—the Government. Its present three-year target, which ends next year, is to earn 2.75 per cent on

year, is to earn 2.75 per cent on net assets, judged by current net assets, judged by current cost accounting.

The Council sees this as reasonable, but Treasury pressures to raise its profits and

prices still further—as a possi-ble prelude to privatisation might have the counter-produc-tive effect of blunting its competition with gas.

Privatisation depends marily, on the outcome of the next general election. But it would arouse many complicated issues which even a strong new CEGB, which produces the

Coal Tidal Druridge Blyth Killingholme **West Burton** Severn Barrage Hinkley Point Dungeness Inswork Point

Potential new power station sites

Thatcherite Government would have to unravel with care:

• Would public opinion agree to see nuclear power stations, with all the attendant safety concerns, delegated to private operators?

Nuclear plants might remain under separate public control in a nuclear rump of the CEGB.

electricity sector would surely be free to import coal, regard-less of the effect on the British

coal industry. Regardless of how such questions are settled, the prospect of privatisation further highlights the chronic uncertaintles about the public structure of the electricity industry.

The International Energy Agency, for example, singles out the need for greater co-ordina-tion as one of the industry's three priorities—the others are to promote energy efficiency and to expand its nuclear capacity. It lacks central co-ordina-

tion, says the IEA.
Since the Herbert report of the late 1950s, the industry has evolved into a loose, uneasy federation of 12 area boards (which handle sales and local

electricity and distributes it through the main arteries of the

National Grid.

Although the system has worked well from the technical viewpoint, as exemplified in the lack of power cuts during the miners' strike as well as this winter, it has proved politically

and most profitable electricity, who would want to buy the less profitable stations?

What about British Coal, 80 per cent of whose output goes to the CEGB? A truly independent electricity sector would surely the center of the chairmen of its area boards stubbornly resisted the recommendations of the Plowden Report in 1973, which would have broken up the areas and created a unitary electricity corporation, analogous to British Coal, 80 the commendations of the Plowden Report in 1973, which would have broken up the areas and created a unitary electricity corporation, analogous to British Coal, 80 the commendations of the Plowden Report in 1973, which would have broken up the areas and created a unitary electricity corporation, analogous to British Coal, 80 the commendations of the Plowden Report in 1973, which would have broken up the areas and created a unitary electricity corporation, analogous to British Coal, 80 the commendations of the Plowden Report in 1973, which would have broken up the areas and created a unitary electricity corporation, analogous to British Coal, 80 the created a unitary electricity corporation, analogous to British Coal, 80 the created a unitary electricity corporation, analogous to British Coal, 80 the created a unitary electricity corporation.

Although, at the time, the industry promised that it would conduct itself with greater coherence, the Council sometimes resembles a squabbling College of Cardinals, and there is a graying dispatch. is a growing view that this can be altered only as part of pri-

But even without privatisation, integration has been taking place—both within the CEGB and in aspects of the Electricity Council's work As of this year, the CEGB has been radically restructured along functional and operational This reflects its changing physical profile, as it produces

electricity from fewer but larger There is also a slow but signi-

No Electricity... no comment.

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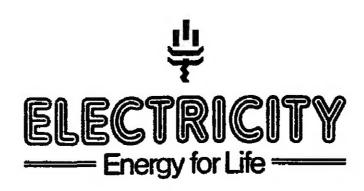
The rapid dissemination of information of all kinds is but a fractional part of the role played by electricity in the life of the nation.

An efficient electricity supply is vital for the country's economic and social growth.

All manufacturing industry relies on it. Public services depend on it - water, sewage, telephones, light, heat - to mention only the most obvious.

Properly managed, electricity provides a costeffective and vital source of energy without which all of our lives would be immeasurably darker.

Our very future depends upon it. It is, in short, energy for life.



ahead, the way is clear for the

tions raise no serious obstacles. However, it is also clear that a

One option would be to retain a large central generating com-

Blueprint

for expansion

ficant trend towards integration with other electricity networks, as illustrated in the newly completed 2,000 MegaWatt cross-Channel "interconnector" between the CEGB and its French counterpart, Electricite

de France.

Britain's electricity is now plugged in not only to the French grid but to Western-Europe as a whole. The link, originally envisaged merely as a mechanism for swapping power at the two countries' different peak consumption times, has now become one of the instruments for exporting cheaper ments for exporting cheaper French nuclear power to its

In this year's exceptional conditions, these cables were part of the thin steel line which helped Britain to keep power

when the determination is a transfer will stimulate important manufacturing sectors, starved for too long of major domestic orders. It will provide one more reminder of electricity's importance to the economy as a whole.

UK investment

Dilemma over private capital

about the relation to the electricity industry. On the one hand it would like to push ahead with the development of nuclear power—if public opin-ion allows. On the other hand it is committed to introducing pri-

is committed to introducing private capital into the industry if it wins the next election.

The two ambitions are not obviously in conflict. In Japan, West Germany and the US, privately-owned electricity utilities have built and operated nuclear reactors, with great success in some cases. However, in the US, many utilities are now finding previous efforts to build nuclear reactors have become a nuclear reactors have become a major embarrassment, and in some cases threaten disaster. There are many reasons for

There are many reasons for the failure of nuclear projects. They include poor project man-agement, design errors, the suc-cess of anti-nuclear lobbyists, cuts at bay.

But they are no substitute for the new power stations—whether nuclear- or coal-fired—which have to be built to replace ageing plant and the steady growth in demand for electricity.

When that decision is taken, it will stimulate important manu-

disappointments of the nuclear programme in the US have pointed to a common theme. Utilities which embark upon a the economy as a whole.

Maurice Samuelson

Maurice Samuelson

Maurice Samuelson

THE BRITISH Government is afterwards to maintain the now faced with a difficult rigorous training and safety dilemma in its discussions standards which are now

demanded.

They also need to be financially strong and large enough to take the risk of betting a very to take the risk of betting a very large amount on a single horse. Since the accident at Three Mile Island in the US, private utilities have also been forced to take on a large political risk if they wanted to proceed with nuclear power. In West Germany particularly, there has been strong and militant opposition from environmentalists who have mounted some ists who have mounted some fairly effective direct-action

campaigns.

Now, after the disaster at Chernobyl in the Ukraine last April the political risk has taken on a new dimension: opposition parties in West Germany and in the UK are pledged and merely to screen plans to not merely to scrap plans to build new nuclear plant, but are under strong internal pressure to phase out stations already

Since arrangements for compensating a private utility would probably be inadequate and would certainly he messy, any private company would have to think very carefully indeed before starting on a new nuclear building programme.

In the US, no nuclear power stations have been ordered for without cancellation since 1973. The political uncertainty is one of the major reasons, although the US regulators' refusal to allow capital costs to be Since arrangements for com-

reflected in tariffs until the sta- Pressurised Water Reactors at tion is in commission has also Sizewell B in Suffolk should go been a powerful disincentive.

Even the very different CEGB to make a new start. At experience of Japan's large the time of writing, the Government's final decision is not the same direction. Japan's known, although it certainly large utilities are big enough to have the engineering and financial muscle to carry the projects through successfully, and they have been energing in a more have been operating in a more stable political environment, have been operating in a more stable political environment, CEGB which was being dismanwhere opposition to nuclear tled to be sold off in pieces power has been muted by the would not be the best organisaknowledge that Japan is very tion to go ahead with Sizewell B short of alternative energy and to plan a series of three to four follow-on stations.

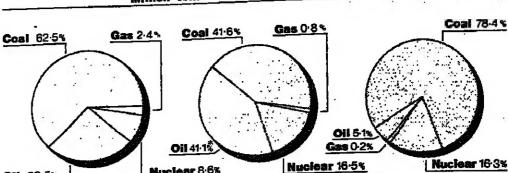
Any private company would have to think very carefully indeed before starting on a new nuclear building programme.

In Britain, therefore, a future exposed to unacceptable commercial risks unless it also Conservative government would have to start from the fact that conventional generating the Central Electricity Board does have the financial strength and expertise necessary to carry through a nuclear programme, even though its record so far has been tarnished by

failures, some poor management and indecision, aggravated, it has to be said, by a lot of political interference.

Now that Sir Frank Layfield has recommended after a four-year enquiry, that plans to build the first of a new generation of hew company would probably need to control their transmission network,

Fuel consumed in UK power stations Million tonnes of coal/coal equivalent



1972/3 100-5 mtce Pre oil price rise *During miners' strake

pany either in public or private ownership to plan and run nuclear power stations. However, this would create a lopsided structure with many potential problems. The company charged with the development of nuclear power would be approached to unaccentable comlines.
Since flerce planning objections can be raised in either case, it would be very difficult for two companies to agree the risks and rewards appropriate to any investment decision.

The logic then points over-whelmingly to retaining a central generating seminary in

whermingly to retaining a central generating company in charge of nuclear developments, the national grid and probably with a large capacity of coal and oil-fired plant. If it capacity. Since nuclear plant in existence or being commissioned will account for about a quarter of total generating capacity, this new company would probably have to have around half the were a private company, it could well see large potential supposed to be cheaper than the alternatives. However, it would

because commercial decisions to take on 10-year investment about the siting of new power projects of around £1.6bn. stations cannot be disassociated whether or not this large cen-

1984/5 97-2 mtce

from the cost and feasibility of building new transmission lines.

Since fierce planning objections can be raised in either or not this large central company were privatised it would be in a dominant position in the industry, so that selling off smaller parts would be much more complicated than a large single flotation as in the case of British Gas or British Telecom. Certainly it would be difficult to

were a private company, it for the private sector. They are could well see large potential monopoly suppliers of electricewards for taking on the nuccity, obtaining their power from lear risk, since nuclear power is a monopoly CEGB, with a rather supposed to be cheaper than the alternatives. However, it would need strong cash flow from existing power plant to be able to be called the control of the called the

ensure that there was fair com-petition under such a structure. A further question remains as

to what should be done about the Area Boards, which in their present form have hardly any characteristics which fit them

If the Area Boards were priva-tised the tariffs at which they sold electricity would have to be regulated and the tariffs at which they bought power would have to be regulated so long as the CEGB or its successor remained dominant

The introduction of credible competition into the generation of power would therefore be very difficult, although not impossible. The board might be made into regional power com-panies with generating capacity of their own, but it would be difficult to arrange a fair distribution of plant between them as between say modern coal-fired plant and oil-power stations, which are not likely to be run continuously for base load unless the oil price plum-

Another option might be to set another option might be to set up competing power generation companies which would create a market for supplies minute by minute with the distribution companies and large corporate customers as bidders.

This would certainly be possible, as the US system suggests, but such a radical break up of the system would probably take a long time to negotiate. Even when it was ready for sale, the Government would have to balance the disturbance, not only against its strategic wish to develop the nuclear option, but against the need for a fairly major ordering programme over

the next 25 years.

It is now generally accepted that eight to ten new power sta-tions will be needed before the end of the century to replace those that are retiring and to cope with increased demand. After the year 2000, the number of big power stations due to retire increases, even if one assumes that their useful lives will be extended

will be extended.

1985/6 100·8 mtce

Although in theory this major capital development could be left to the market, it is not by any means certain that in an imperfect market the desire of private companies to invest would, in aggregate, match the national need. Much would depend on the incentives and the precise balance which reg-

The introduction of credible competition into the generation of power would be very difficult, though not impossible.

ulations strike between protecting the interests of consumers and the need for profit.

The strategy of least risk would unoubtedly be to leave the CEGB structurally intact with perhaps some forced disposal of assets if a way could be found to encourage a credi-ble competitor roughly anala-gous to Mercury's position vis a vis British Telecom.

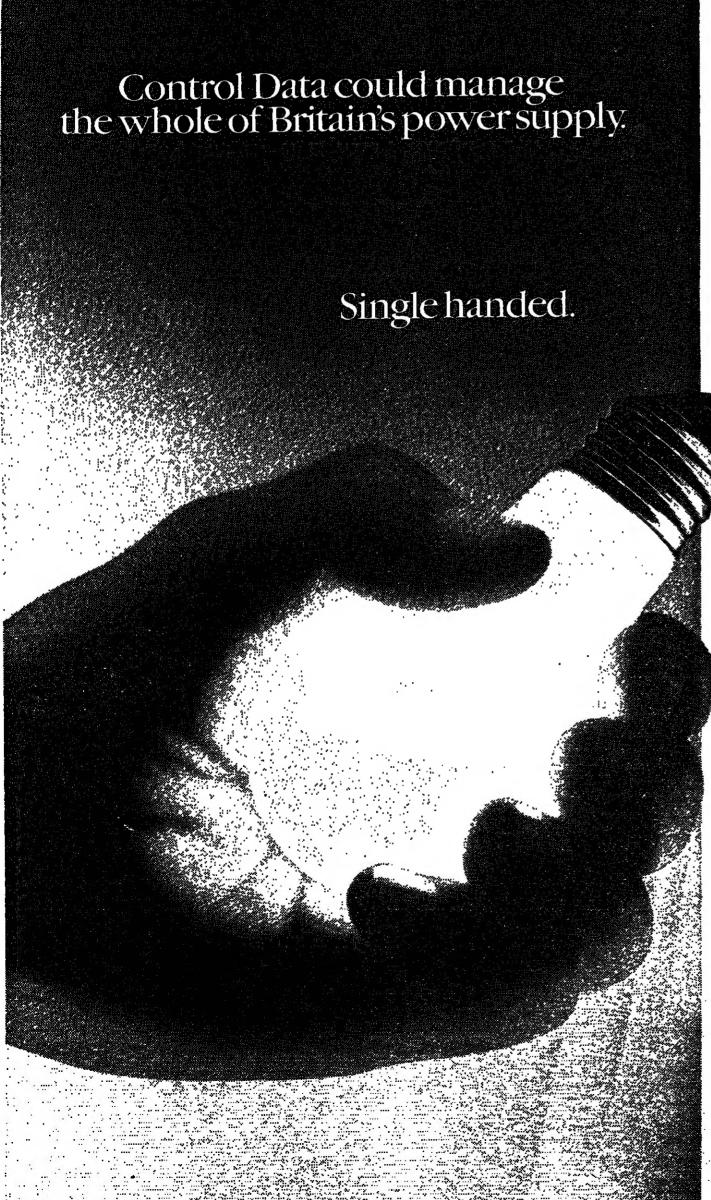
Privatising the remaining assets would be an enormous task even in comparison with the selling of British Gas. In current cost terms, the whole industry's assets are put at £37bn, more than four times the capitalisation of British Gas when it was sold and getting on for five times the Government's annual sales of gilts.

Even though the market capitalisation of privatised electricity would probably be lower, it would still be a formidable structure to float intact.

However, for most ministers, all this remains a problem for

the future. Their first problem is to win the election.

Max Wilkinson



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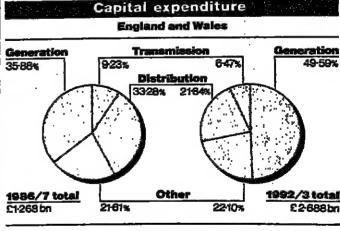
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Journal Electricity Council

Out turn prices

Capital Requirements Electricity supply industry in England and Wales
£ million (Out-turn) 1986/87 1987/88 Expenditure on fixed assets Working Capital: 1268 1338 Stocks and work in progress Corporation Tax Total 839 Source: Electricity Council



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New industrial applications

Strong emphasis on efficiency

THE UK's electricity supply offer energy-saving cooling industry frequently denies that it is looking forward to an "all-electric future." of moisture from the air.

The domestic storage heater

increasingly challenging the on the home heating market.

place of other fuels in industrial In parallel with the work of i processes. These advances, coinciding with the rise of the microprocessor, have been accelerated by the energy crises

efficiency campaigns, such as compete for awards by demon-the Energy Efficiency Year, strating savings through adop-sponsored by the British Gov-tion of electrical technology.

and equipment manufacturers, played its part in keeping the campaign in the public eye, have more than halved energy costs by switching to electricity.

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Dossible

Least noticed, but perhaps most influential, is the work of Electricity Council scientists on new ways of using as well as distributing, electricity. Their work at the Capenhurst earch centre, near Chester, has brought breakthroughs in a wide range of processes, espe-cially in the application of heat

In the first years after the centre was opened 21 years ago, Capenhurst concentrated on reducing energy costs of the iron and steel industry, including the development of electric fired process.

are furnaces and the use of Dow-Mac Concrete of Stockelectricity in iron foundries. In ton-on-Tees was the runner up

the forefront of work on heat steam.

The forefront of work on heat steam.

West Yorkshire Foundries of have become firmly established as cheap heating or cooling plants in offices, shops, switched from a gas to an restaurants and hotels. They electrical system to cut its

Such disclaimers are only natural in a country where gas is the principal form of heating, and which is also endowed with rich reserves of coal and oil. Although electricity is also capable of propelling motor vehicles, such a development is still largely a curiosity whose day has not yet come.

But all electric buildings are has not yet come.

But all-electric buildings are commonplace, and electricity is spearheaded electricity's blitz In parallel with the work of its backroom boffins, the electricity industry conducts a series of high profile award schemes to accelerated by the energy crises of the 1970s and determination that future energy shortages will be less damaging.

This explains the deep involvement of electricity industries in national energy tries. Companies are invited to

ernment last year.

The electricity industry.

In its first three years, the together with the other utilities winners out of 1.773 applicants. winners, out of 1,175 applicants. Many entrants, the Council says, the fall in oil prices.

It did so in a wide range of initiatives aimed at the broad spectrum of electricity users.

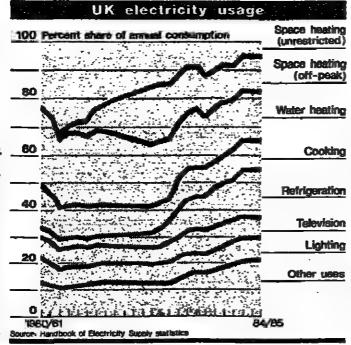
The winners, selected from the 12 area Boards in England and Wales, have made annual savings totalling f6.3m in energy and raw materials. Total invest-The winners, selected from the 12 area Boards in England and raw materials. Total investment for these projects amounted to £9.3m, giving an average payback of about 18

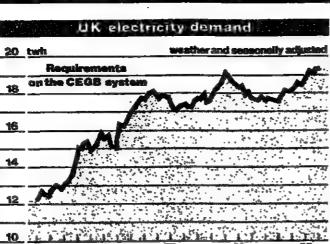
Last year, the first prize for companies with fewer than 200 employees went to Lennox Foundry, of Greenhithe, Kent. which cut its energy costs by 80 per cent when switching from oil to electric melting. Peugeot Talbot, winner of the

first prize for larger industrial sites, had a four-month payback by installing infra-red electric paint curing instead of a gas-

are furnaces and the use of Dow-Mac Concrets of Stockelectricity in iron foundries. In
the 1980s, the emphasis has
in the small company category,
switched towards helping nonferrous foundries melting
metals such as aluminium.
Capenhurst has aluminium.

use the same basic technology energy costs by 54 per cent, as the domestic refrigerator to metal losses by 35 per cent and





maintenance costs by 50 per

In all the schemes, the switch to electricity was carried out in close collaboration with sales engineers of local electricity

Last year, the Electricity Council launched a second award scheme, called Bets, to underline the savings possible in buildings. Its first winners were the new international terminal at Luton Airport and a small Welsh building which investigates drug therapies.

The airport building, built over the original terminal while business continued as usual,

incorporates heat retrieval sys-tems with a running cost 34 per cent cheaper than the building it had replaced.

At Simbec Research, Merthyr Tydfil, running costs were cut by more than 29 per cent through the provision of storage

fan heaters fitted with weather sensitive controllers for the wards and offices.

wards and offices.

The adoption of efficient lighting systems has been encouraged for the past 12 years by EMILAS, the Energy Management in Lighting Award Scheme. It is calculated that applicants for the scheme are now saving nearly £7m a year and enjoying better quality

There are three award schemes for houses. More than 100,000 new private homes have been committed to the Medallion Award scheme introduced in 1976 and 60,000 homes have qualified for the Civic Shield award for public sector house Award for public sector hous-ing Prizes for existing homes are offered under the Council's Energy Wise Home Scheme.

Maurice Samuelson

Industrial relations

History of relative harmony

power workers Equally, there can be few areas of British industry that can claim a history of relative industrial harmony with such assurance as the Floriticity. Conveil Electricity Council, the umbrella body responsible for

supply and generation.
Under the inspiration of Lord Citrine, the entity's last chair-man, and the terms of the 1948 Electricity Act (amended in 1967), the Council led the field among the post-war nationalised industries in providing a sophisticated machin-ery for the conduct of industrial relations and covering all aspects of pay, conditions and

employment.

The machinery is highly complex but it was originally set up with the intention of defusing possible areas of tension within the industry. Its main planks are the four separate bargaining groups representing the various unionised grades of employees, ranging from the blue collar manual workers to about 1,200

senior managers.
Within the Council only 150 top directors are excluded from having their terms negotiated collectively.

The Council takes pride in the

high proportion of unionisation among its staff and the multiplicity of unions within the sented are the EETPU, the Transport and General Workers Union, the General Municipal and Boiler Makers Union, the AUEW, Nalgo, Apex and Epea). The long-established machinery includes: the National Joint Negotiating Committee which determines matters of common interest to more than one negotiating group and within each group, is the power of veto over a subject being discussed.

The Council believes that its machinery has remained well understood by all the sides involved and that the multiplicity of unions has effectively translated itself into a balance of power. Both factors have contributed to stability on the industrial front in the past.

On paper, the record is cer tainly impressive. By the begin-ning of 1987, the only time since World War Two that the industry had suffered major indust-rial action was in December 1970, when a ban on overtime led to a considerable disconnection in supply. Since then, there have been flurries of industrial action but, with the exception of a one-day stoppage in the mid-

Water heating
FEW, IF ANY, sectors of the 1970s, they have been of an be no power cuts. Instead, the last year's talks, however, Acas union movement boast unofficial nature.

During the miners' strike, the switch to more costly forms of.

The outcome of last year's Council's industrial relations supply. record was put to its severest

test in many years when power workers came under considerable pressure-from their more militant colleagues in the National Union of Mineworkers—to cut off supplies. Some power workers were strongly

power workers were strongly sympathetic to the miners' plight and staged unofficial occupations of power stations. In general, however, all the unions in the electricity supply industry refrained from industrial action throughout the dispute. The Council believes that the unions survived their test the unions survived their test adopted in 1970 and which led with flying honours.

with flying honours.

"It proved how well motivated and cohesive our workforce is," says the Council. Last year the manual unions won a mandate of more than two to one for industrial action in a secret ballot under the provi-sions of Mrs Thatcher's Trade Union Act The unions began by rejecting an improved offer worth 6.2 per cent on basic rates which the Electricity Council had described as "fair and reasonable."

Significantly though, the unions showed from the outset that they learnt the lessons of the miners' dispute by seemingly being determined to retain as much as possible what public support they had.

Because the unions believed the industry had spare generating capacity, they fel that by targetting on the top II stations—principally the string of stations along the Trent valley in the Midlands—there would in an

The strategy, as it was initially mapped out, was based on the premise that the fall in oil prices had made the larger, more efficient stations even more cost effective and that therefore the industry would be forced to use the more costly coal-fired units again.

As events turned out, however, Mr Eric Hammond, the general secretary of the EETPU, one of the principal supply unions, strongly urged against an industry-wide work-to-rule by power workers—the tactic substantial pay increases.

Subsequently, the threatened action was called off, with the unions recommending the improved pay offer after the dispute had been taken to the Advisory, Conciliation and Arbitration Service.

The process by which the threatened dispute was defused highlighted the important role which Acas can play within the Council's industrial relations achinery. The Council's Joint Co-ordinating Committee—with alternating chairmen drawn from the management and the unions—provides the opportunity to discuss those subjects such as nuclear power that have traditionally fallen outside the which might provide controver-

But, in addition, Acas provides an important safety valve. It can arbitrate if both sides are in agreement that it should. In



Under Eric Hammond, above, general secretary of EETPU, and his predecessor, Frank Chapple, the union has clinched enlightenining productivity deals.

talks also underlined the impor-tant role played by the more moderate unions headed by the EETPU in keeping their mem-bers in check Indeed, the his-tory of industrial relations within the Council cannot be properly understood without taking into account the development of the EETPU as the crusader of a "new realism" within trade unionism.

Under both Mr Bammond and his predecessor, Frank Chap-ple, the EETPU have clinched enlightened productivity deals encouraging their members to embrace new technology and changes in traditional working industrial conflict in favour of mutually beneficial co-opera-tion may face strains in the com-

ing weeks. In 1967, the then-chairman of the Council declared as an anachronism" the fact that the manual worker was treated as slightly different and inferior to his colleagues in clerical, administration and technical

Twenty years later, however, both management and unions privately agree that the inspira-tion behind the single status

tion behind the single status agreements of the 1960s has been difficult to sustain.

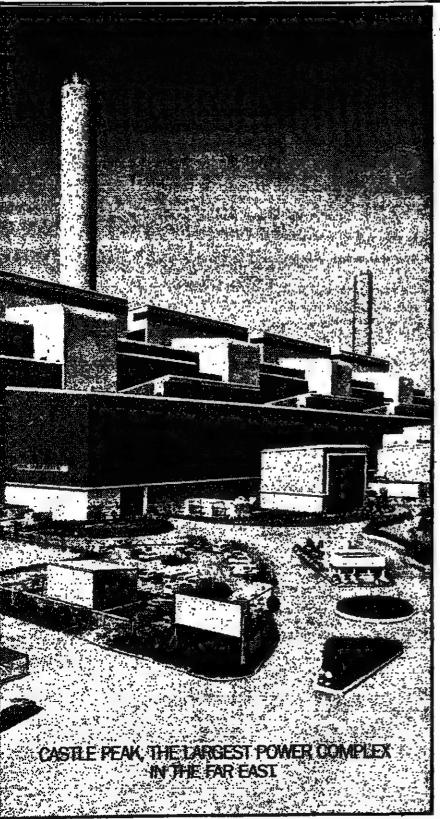
The Council's declared medium-term policy of insuring the "proper utilisation of craftsmen, foremen, engineers and elerical staff at the interfaces between engineering, industrial and clerical staff" was put on the back burner after last year's threatened dispute. But union officials warn that it is an issue that is smouldering below the surface and capable

of blowing up any time.

The Council's medium-term development plan, published towards the end of last year has one eye on the prospect of privatisation after the next election. It shows the entity's tion. It shows the entity's determination to deepen and extend its transformation into a power horse of the economy towards the end of the century.

It wants to have an "effectively motivated, high productivity workforce of the right size and mix of skills." It remains to be seen whether it will succeed in reconciling the interests of its employees with an emergent corporate struc-ture, without encountering some of the problems faced by

Jimmy Burns





Two 1000mw turbine generators for China.

GEC Turbine Generators recently signed a contract for two conventional islands: to be used in the first imported nuclear power station in China. At the heart of these islands are two 3000 rpm 1000mw turbine generators that are amongst the most advanced in the world

BRITAIN'S LARGEST CONTRACT FROM CHINA

Just in case you were in the dark about GEC.

Plant/Equipment

New orders will go to the survivors

MANUFACTURERS OF power generation equipment are looking for one thing right now—and that is an upturn in the deeply depressed rate of new power station ordering around the world.

Worldwide ordering was running at 35,000MW at the turn of the decade, but demand has been limping through the past several years at between 8,000 and 17,000MW ay ear. Last year it was 10,000MW and expectations are for 17,000MW this year. world.
Worldwide ordering was running at 35,000MW at the turn of the decade, but demand has been limping through the past several years at between 8,000 and 17,000MW a year. Last year it was 10,000MW and expectations are for 17,000MW this year.
Many companies expect the position to improve substantially towards the end of the decade and work through into the next century as a large num-

the next century as a large num-ber of Western countries need to begin major replacement programmes.

Meanwhile, many of these companies are having to survive as best they can, rationalising and reducing workforces to

reduce cost-bases.

The picture is by no means uniform. Big Japanese produc-ers such as Mitsubishi, Toshiba and Hitachi have had an expan-ding and heavily protected Japanese domestic market to rely on and to use as a base from which to raise their market shares outside Japan.

For example, between 1981 and 1986, these three companies, helped by generous gov-ernment-funded finance pack-

Ger	ierating capa	city
70	gw	
65_	England and W	rales
60_	Capacity requirement	
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60	Existing and committed plant	
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GEC, Northern Engineering Industries and Babcock have faced a situation in which there have been no domestic power station orders since the late 1970s. This position will change dramatically over the next few years as decisions are taken on the Sizewell B station and the first of a series of coal-fired stations

Despite this dearth of domes-tic orders, GEC Turbine Genertic orders, GEC Turbine Generators has launched out into the export market with a vengeance. According to British Government figures, the company's 5.1 per cent share of the 1970-75 world export market rose steadily to 12.5 per cent between 1981 and last year.

US contractors have faced a very lean time on the domestic front with a dearth of orders. front with a dearth of orders from the early part of the

Babcock and Wilcox shut its biggest boiler manufacturing site in the US a few years ago. Westinghouse sold its distribution switchgear division to Sie-mens and both it and General Electric, the other major US power station contractor, import some transmission switchgear from Japan.

Switchgear equipment, however, demonstrates this lack of uniformity. There is, for example, less over-capacity in the UK and elsewhere for high voltage transmission gear than for lower voltage distribution

Continental Europe has a number of major manufacturers of power station plant, such as Brown Boveri, Siemens and Aisthom. The French sector has gone through the nationalisation has a proposition plant. tion and renationalisation hoop they do now.

while companies such as Steinmuller, the Wast Court as Steinmuller, the West German boiler

والتنافي والمتروي		
Export	leader	' \$
1981—Jar	iuary 198	6
	export orders	Share of total export narket %
Mitsubishi	12,900	14.0
6EC	11,500	12.5
USSR	8,700	9.5
Toshiba	7,800	8.5
KWU	6,900	7.5
Hitachi	6,800	7.4
General Electric	6,400	7.0
Comecon (other than USSA		5.5
BBC	4,600	5.0
Westinghouse	4,600	5.0
MAN	4,000	4.3
Aisthom	3,000	3.3
NEI	2,500	2.7
Tosi	2,100	2.3
Ansaldo	1,800	2.0
Others	3,200	3.5

maker, have faced some finan-cial restructuring. Makers of generating sets are not locked into the global power station ordering programme but these companies, too, have been

Source: CPRS report

91,900 100.0

forced to contend with shrink-ing demand and overcapacity.

During the past four years the total exports of diesel-powered ets from industrialised countries fell by 43 per cent. The UK has done better in recent years than almost every other producing area. Its exports during the same period fell by only 25 per

facturers of big power station plant, however, think that they are now at the trough of demand and that things will start improving soon. One exception might be Japanese producers whose domestic ordering programme is turning down. US producers will also continue to be affected. by a dearth of new domestically-sentioned stations, since a lot of nuclear capacity was ordered there in the 1970's and will not need replacing for many years. Mr Ron Campbell, managing

Mr Ron Campbell, managing director of Babcock Energy in the UK, says though that many other countries have the same ordering pattern as Britain-over-ordering in the 1960's which means that a lot of capacity will soon be coming up for renewal through the 1990's and into the next century.

That is, why many companies

That is why many companies such as Babcock believe that, in the medium-term, they will be

Nick Garnett

Nuclear power

Layfield: powerful boost for the PWR

not have done it so well, was the general view of the Windscale report published in 1978. The published last month, four years capacity on the site. after the inquiry opened in

inquiry examined the plans of the Central Electricity Generating Board for its first pressurised water reactor Generating Board for its first pressurised water reactor (PWR), a type Britain has been building since 1959 for the Royal Navy but which had not previously been used in the electricity supply system.

Advocates of every concelvable alternative to nuclear energy—coal, windpower, wave power, tidal energy, combined heat and power schemes—as well as advocates for simply doing without more electricity

well as advocates for simply doing without more electricity capacity presented their argu-ments at length before an infinitely patient Sir Frank Layfield QC.

If Sir Frank, as inspector, thought that comething was in

thought that something was in danger of being understated, he summoned witnesses himself. He did this, for example, with the advanced gas-cooled reactor, the CEGB's present nuclear system, to make sure it was not getting a raw deal in CEGB enthusiasm for changing to the

Again, he called for indepen-dent advice on the CEGB's plans for managing the £1.55bn Sizewell B project, once he recognised that any delay in con-struction could seriously affect the cost.
In each case he found a wit-

ness with special qualifications. In the case of the AGR, it was Mr Donald Miller, chairman of the South of Scotland Electricity Board, which has made no secret that it opposed the idea of changing to the PWR, believing that this could damage its own interests in the AGR.

In the case of project management, his choice was Sir Alastair Frame, chairman of RTZ, and an engineer with undis-puted experience in managing major—including nuclear—pro-

The worst the Layfield report says about Sizewell B is that it will be a "massive intrusion" into an area of outstanding natural beauty. So, of course, is the present A station at Sizewell, construction of which

began in 1960.
Sizewell B would be a massive intrusion into any part of Britain during its construction

IF THE nuclear industry had phase, and will certainly be con-written its own report, it would spicuous throughout its operatspicuous throughout its operating life. The local community have lived with this knowledge since 1974 when the CEGB was same might be said of the report given permission to build of the Sizewell B public inquiry, another 2,500 MW of nuclear

> What can be said confidently is that, visually, the intrusion of the Sizewell B PWR station will be less than for any alternative kind of nuclear scaled, kind cially the gas-cooled kind, which must encompass a much bigger volume simply because it uses a less dense and hence less efficient coolant than a water-

efficient coolant than a watercooled reactor like the PWR.
But the issue which, above all,
worried those who objected to
Sizewell B is safety. The inspector himself makes the point
clearly in saying that any
serious grounds for doubt on
this score would have sufficed
for him to recommend that planning consent be withheld. ning consent be withheld.

He identified a dozen "main

contentions," compared with only 11 for all other issues concerning economics, environ-mental intrusion and nuclear weapon proliferation.

He deals with the dozen contentions raised on safety in great detail and rejects every one. While acknowledging that he is placing a great deal of reliance on the CEGB and the Nuclear Installations Inspectorate according to the continuing nuclear instantations inspector rate to provide continuing assurance of safety, he pays a handsome tribute to the quality of their evidence on safety at his inquiry. Both, he said, demonstrated impressive technical competence and he could find no significant shortcomings in

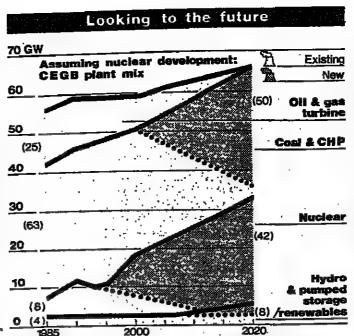
the safety case.

He reached the conclusion that "there should be good confidence that Sizewell B, if built,

fidence that Sizewell B, if built, would be sufficiently safe to be tolerable, providing that there is expected to be economic benefit sufficient to justify the risks incurred."

Objectors, however aggrieved at the rejection of their assartions, will find it hard to dispute the substance of Sir Frank's painstaking safety analysis. They may find it easier to focus on economics, since so much on economics, since so much depends on the underlying assumptions, for example about fluctuations in the price of fos-sil fuels over the expected 40-year lifespan of the project. Nevertheless, the conclusions

he reaches are very robust. The important point is not that the PWR looks more attractive than the AGR, but that it looks so much more attractive than coal



that it is difficult to see how the British electricity industry can justify plans for more coal-fired capacity.

Source- CEGB

Even though some of the pessimism of the CEGB about its AGRs was disallowed. Sir Frank still finds it most unlikely that this system could make power as cheaply as the PWR. He gives it only one chance in five. Moreover, the CEGB believes that the second and third PWRs

would be much cheaper to build. But he gives a coal-fired sta-tion only one chance in 40 of

working out cheaper than the PWR. On all but the most extreme assumptions, the PWR is the cheapest way available to the CEGB of adding to its generating capacity. The inspector also accepts the industry's arguments about growth in demand and the need for new capacity on-line by the

None of the "benign and renewable" alternatives to fuels as sources of CEGB power-wind, tides, etc.—are considered to compete in the same league. In any case, none of them can deliver "firm power" in the sense that the industry can depend upon it round-the-clock. Wind and waves, for example, generate power for only about one-third of the time.

If the Government gives its approval for the Sizewell B PWR Britain will be joining the mainstream of nuclear power worldwide. The US, where the PWR was invented, has 105 protected to the pweep of the water-cooled reactors licensed for commercial operation, and over 1,000 reactor-years of operating experience.

It is often said by opponents of nuclear energy that the US has ordered no new nuclear reac-tors since the accident to a PWR on Three Mile Island in 1979. In fact, neither has Britain. But both have been very busy bring-ing reactors already under construction into operation. Meanwhile, over 30 more PWRs have been ordered in the Western World and Japan since the acci-

The US claims to have generated more nuclear electricity than any other country—405bn kilowati-hours.

By 1990, when it expects to have licensed all nuclear plant nave licensed all nutreat plants under construction, it expects to get 25 per cent from this source. This will be the same proportion as Britain, but for a much because where he at head of the construction bigger country where both coal

and oil in some locations provide power much more cheaply than uranium can do today.

In Europe, several countries already greatly exceed the 25 per cent expectation of Britain and the US. France is claiming a figure as high as 76 per cent. Belgium, Sweden, Finland and Switzerland all have high proportions. 40-50 per cent.

Switzerland all have high proportions, 40-50 per cent.
What, then, of the Chernobyl factor? This explosion last April came uncomfortably close to the "maximum credible accident" that professional Cassandras have been trying to envisage, except that only 31, not thousands, were killed.
Sir Frank Lavfield has been

Sir Frank Layfield has been accused of ignoring Chernobyl It is certainly true that the accident occurred after the inquiry ended, and short of re-opening what had already bear its what had already been the longest of British public inquiries, its implications could not be analysed. The important question, however, is whether Chernobyl should have been

raised.

The inquiry was examining the case for a specific project, the "British PWR" as planned for the CEGB's Sizewell B station. Safety of this PWR was the over-riding issue, with economics and environmental intrusion as lesser issues. It did not examine the safety case for any other kind of reactor, even for the AGR, which it identified as a possible compatitor.

possible competitor. Events at Chernobyl concerned a uniquely Soviet type of reactor, unknown outside the reactor, unknown outside his USSR, as Soviet nuclear experts testified unambiguously at the "post mortem" in Vienna last August. They went so far as to admit that this reactor was grossly unsafe by Western nuclear safety standards, but kept the about his a rigorous code of in check by a rigorous code of written instrictions. These instrictions were simply allowed to lapse on the fateful night

The Soviets have said they are modifying all their Chernobyl-type reactors to bring them in line with Western safety thinking. They have also said they will start no more reactors of this type. They are concentrating on construction of 1,000 MW PWRs.

David Fishlock

The French Connection

The four British cables for the 2000 megawatt Cross Channel Power Link between Britain and France were supplied to the Central **Electricity Generating Board by** Pirelli General pic, the Hampshire based cable manufacturer.

These 270,000 voit direct current cables, manufactured in continuous 50 kilometre lengths, were made at the company's new submarine power cable factory at Southampton, England.

The company has also recently supplied several important submarine power cables and umbilicals, for offshore platform links, in the North Sea and abroad.

Pirelli General is the British member of the International Pirelli Group, a world leader in cable technology.

BICC



Dinner by dimmers

ENGLAND'S newest luxury hotel is all-electric. The Hotel Renouf at Rochford in Essex, has been built for Derek Renouf, master chef and prop-rietor of an all-electric gourmet restaurant in the same town. Opened last September, it cost film to build, and offers luxury accommodation and French cuisine, prepared by six chefs.
The hotel at present has 24 bedrooms — five of them suites with their own jacuzzis — but it is planned to extend it to 50 bedrooms shortly and, even-

CONTROL DATA, a leading energy management specialist, has developed a powerful new graphics capability to speed the interpretation of power systems information.

The system permits the dis-play of data in such forms as

three-dimensional images to reveal load profiles, curve graphics to depict control error trends, and bar charts to

show unit commitment sche-dules. By enabling control

tually 75. The kitchen is the heart of Derek Renouf's domain. Closed circuit television monitors in guests' rooms enable visitors to watch their dishes being prepared before entering the pared before entering the restaurant to dine. This builds on the tradition Renouf has maintained in his other restaurant in Rochford where diners have always been wel-comed into the kitchen to see the chefs at work.

Between the cooking ranges and the kitchen doors is a spe-cially-made pass-through hot cabinet with a quartz lit bench top so that the presentation of each dish can be examined minutely before it is served.

The restaurant lighting is controlled by dimmer switches which have to be turned down only a fraction to enhance a back-lit Bayeux Tapestry type decoration running the length of one wall.

The hotel has been built to a high standard of insulation while lighting throughout the reception area and corridors consists of more than 50 Lumi-nance downlighters using low energy lamps. Their total load is

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less than one kilowatt which saves on the consumption of electricity and lessen cumulative heat gains. The corridors are kept warm

engineers to assimilate data faster, it belps them to respond more quickly to demands for

electricity.

"A picture is more easily

understood than plain data," comments Timothy Kenealy, of

the company's energy manage-ments systems division. From the graphics console, the oper-ator can monitor and control

the power system. Up to four separate viewports are avail-able on each console.

electronic sensors to minimise running costs. The bedrooms have panel convector heaters which can be individually adjusted by guests to suit their own standards of comfort. Bathroom extractor fans also venti-late the bedrooms.

Maurice Samuelson

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Who cares about tomorrow's electricity?

"We do!"

Tomorrow's people will need abundant electricity as the oil and gas run low.

But power stations wear out, and new ones take years to build. So the CEGB is planning

today for tomorrow's electricity. By the year 2000 we could need up to ten new power stations, completed and running.

British industry needs the orders. We need new stations to keep the lights on.



Central Electricity Generating Board, Sudbury House, 15 Newgate Street, London EC1A 7AU.

Power station emissions

UK acts to limit sulphur output

IN THE acid rain controversy of the past five years, Britain has been frequently cast as the "dirty man of Europe", whose belching power station chim-neys spray clouds of death over the beautiful lakes and woods of Scandinavia

Only with great reluctance, it is charged, is Britain finally following the West Germans and other big industrialised countries in carrying out the costly job of dealing with the offensive sulphur and nitrogen emissions

from UK power stations.
Such is the attitude of Britain's critics to last September's pledge by Lord Marshall, the chairman of the Central Electricity Generating Board, (CEGB) to desulphurise the flue emissions of three of the country's biggest coalfired stations, and to ensure that all new coal-fired stations will have gas scrubbing equipment when they are built. This, he said, will ensure that UK output of sul-phur dioxide would continue to decline for the rest of this

But to suggest that the UK electricity industry is either a late starter or ignorant about power station hygiene, touches a tender nerve at the CEGB. The board has been in the forefront of research into the problematic links between industrial emissions. sions and damage to the environment

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It acknowledges that there is a link between sulphur dioxide (SO₂) emissions and damage to aquatic life. But though it is also experimenting with ways of cut-ting nitrous oxide (nox) emissions from power stations, it says much more remains to be learned about the role of nox in formation of acid rain and damage to forests. It also points out that much of the nox is emitted not by power stations but by

motor cars.

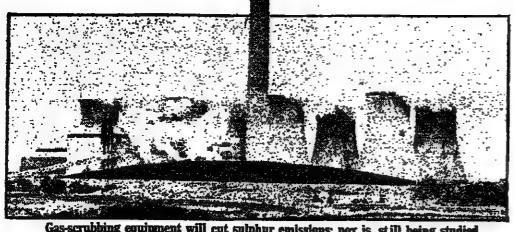
Mr William Kyte, a senior member of its research division at Leatherhead, Surrey, is also quick to point out that modern flue gas desulphurisation (FGD) began in Britain more than half a century ago, with the construction of Battersea, Bankside and other power stations, close to the heart of London.

No further FGD plants had been built in Britain since then due to the success of dispersing sulphur dioxide fumes by building very tall chimneys or stacks. In the meantime, the early British work of FGD had been extended in the US, Japan, and West Germany, where many motor cars.

Mr William Kyte, a senior member of its research division

and West Germany, where many FGD plants have been installed. FGD plants have been installed.
Now that the CEGB has decided to start introducing FGD equipment on some of its power stations, it is looking for the most economical as well as several large North West-chemite most efficient systems. the most efficient systems cal plants, will almost certainly developed there and in other be litted with a regenerative

Although there are more than 100 different processes in use or under development, the systems considered by the CEGB fall into two broad categories, distinguished by the by-products to pated by the would-be suptinguished by the by-products to pliers, deprived for so long of which they will give rise. By new power station orders, with three-bines, the supplies with the extinct of \$2500m the



slurry-a system used in Japanthe CEGB will produce high
grade gypsum, the baste raw
material of the plasterboard
material of the p industry, cement, or lower-grade products suitable for landfill.

The other method, known as the regenerative system, creates sulphuric materials, such as sulphur, sulphur dioxide or sulphuric acid. Since large quanti-

phuric acid. Since large quantities of these products will seriously disturb the existing markets for them, the CEGB is planning to diversify its systems along product lines.

A typical UK wallboard plant, for example, would be well-matched to the gypsum output from a typical 2,000 MW power station. It would use about 300,000 tonnes of limestone each year. This process would then produce about 500,000 tonnes of gypsum for resale.

The limestone/gypsum method is expected to be chosen for Britain's most modern coal-

for Britain's most modern coal fired station at Drax, Yorkshire and at one of the main Midland power stations, such as Ratcliffe

would also be areas for grinding

countries. aystem, to create various sul-Although there are more than phur products.

claims to hold half the Japanese market and to have won orders in the US and West Germany. Babcock Power is linked with

ODAY has the patented and well-tried Willman-Lord method for producing sulphuric acid or other sulphur by-products. It has built 25 such systems in the US, five in Japan and a growing number in East and West Germany and Austria.

Although up to 20 per cent cost. and West Germany and Austria.
Although up to 20 per cent costlier to build than the gypsum
plants, the system gives products which are easier to store.

Davy also has the European
rights to construct a gypsum system using the US-patented
Research-Cottrell method.

e John Brown Engineering and Construction has access to technology used by General Electric of the US, which boasts

placed with UK companies, which have technology licensing links with engineering concerns in Japan, the US or other parts of the countries.

According to Mr Kyte, some 12 to 15 UK-overseas consortia are likely to assemble at the starting gate once the CEGB is ready to invite bids. Their names read like a Who's Who of the Western world's most prestigious power plant suppliers.

Among those offering a mixture of British and foreign expertise are Northern Engineering Industries International Combustion, Babcock Power, Davy Corporation and profess early confidence because they are among company.

NEI, Davy and John Brown a Electric of the US, which boasts a large share of the world market.

Sim-Chem (formerly Simon Carves) is examining a process used by United Engineering of the US, which has installed gastenbers at three plants in eventual choice of contractors.

Although other partnerships may develop in due course, the present alliances are as follows:—

NEI, Davy and John Brown a large confidence because they are among company to low of the world market.

Sim-Chem (formerly Simon Carves) is examining a process used by United Engineering of the US, which has installed gastenbers at three plants in Philadelphia.

Foster Wheeler has joined forces with Flakt of Sweden, which owns the Niro system, iraditionally used on smaller power stations but, in the CEGB's view, increasingly attractive in big plants. Flakt owns a separate technology acquired from the US Peabody company.

But despite their multiplicity, these companies still represent only a small percentage of the many different processes of cleaning up flue gas emissions which are either available or currently being developed.

A paper recently published by the CEGB identified more than

100 different desulphurisation techniques, with nine broader categories, including the direct injection of limestone into power station furnaces.

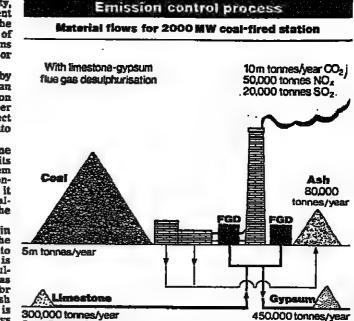
Nor is the CEGB alone responsible for the level of its sulphur emissions. The problem originates with the sulphur con-tent of the coals supplied to it and the ineffectiveness of coal-washing techniques at the pithead.

Sulphur occurs in coal in organic and inorganic form. The organic sulphur is difficult to extract before the coal is burned, but the inorganic sulphur, visible to the naked eye as shiny pyrites, accounts for about half the sulphur in British power station coal. Research is now being conducted into ways of removing this sulphur by magnetic methods.
Since sulphur levels vary from one coalfield to another,

installing FGD plants in power stations means that these power stations will be able to absorb the country's most sulphurous coal and that low sulphur coals can be routed to power stations

without FGD.
As a result, the CEGB claims that although it is initially equipping only three 2,000 MW plants with FGD, the overall effect on its total SO₂ emissions will be as if it had also equipped a fourth 2,000 MW station.

Maurice Samuelson



Tackling the acid rain problem

THE DECISION by the Central Electricity Generating Board in Britain to retrofit flue gas desul-phurisation (FGD) plant to three 2,000 MW power stations marks a major step in its bid to tackle the acid rain problem.

The entire FGD project ulti-mately aims to cut the sulphur dioxide emissions by 30 per cent by . the end of the century. The flustration above showing the limestone-gypsum process repre-

450,000 tonnes/year

sents one of the choices available
to the board.
Lintestone in this process is delivered to the site, then ground and
slutried. This is then used in a
spray tower to contact the gas
stream where calcium carbonate
reacts to produce calcium sulphate
or gypsum. This is then extracted
and dewatered by a centrifuge
before export from the station. before export from the station.
With the FGD process, flue gas
goes straight from the induced
draught fan to the stack

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February 1987

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ANYONE WHO dared to recall Jardine Matheson as the "Princely Hong" in recent years would probably have been accused of making sick jokes. But today, if the mood of Jardine executives on the elegant 48th floor of Hong Kong's Connaught Centre is any guide, the blue blood is once again beginblue blood is once again begin-

ning to run strong.

As the culmination of a threeyear convalescence from what could easily have been corporate could easily have been corporate mortal wounds, the group recently unveiled & restructuring of Byzantine intricacy that confirms that it is off the sick list, and sets the scene for what could be a robust period of fresh growth

"A lot of people have gone, some of them with sadness," says Simon Keswick, who has been "taipan" of Jardine since a boardroom coup in 1983 that un-seated David Newbigging. The seated David Newbigging. The coup also put the founding Keswick family firmly back at the helm of a group that earned its original fortune out of the opium trade, and whose name has been synonymous with Hong Kong since Britain took control of the "barren island" in 1852. The restructuring which can be regarded as the corporate equivalent of scrambling and unscrambling a Rubic cube, is the last phase of a year-long process disentangling Jardine from a Stamese twin relationship with the property group

to release for shareholders in Jardine and Hongkong Land substantial value that has until now been hidden in the groups. Key to this has been the completed and imminent spin-offs from Hongkong Land of two valuable subsidiaries. Anyone now focussing his corporate sights on the group, or any of its component parts, has lost the chance of windfall gains that could have come from stripping out undervalued assets.

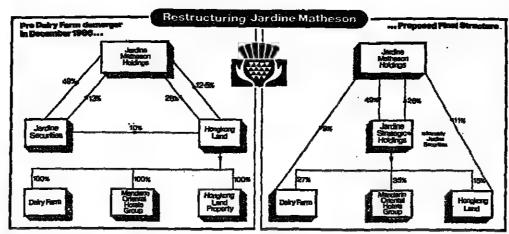
The Keswick family, which today probably holds no more than a 10 per cent stake in Jardine, also emerges from the restructuring without having had to dip into its own pocket, and without its control over the group being weakened. At the same time, the distancing of the group's domicile from Hong in advance of the colony's sovereignty reverting to China in ten years' time, continues with the domicile of the two

Corporate restructuring

Jardine secures its empire

BY DAVID DODWELL







the Connaught Centre (right) from 22 to five

equivalent of scrambling and unscrambling a Rubic cube, is the last phase of a year-long process disentangling Jardins from a Stamese twin relationship with the property group Hongkong Land that had been intended to protect the two from outside predators.

The link, created in the late 1870s during a period of intense paranola among the territory's Hongs when two major takeovers by powerful local Chinese figures aroused fears that are lower than they have been since 1978.

Jardine was plunged into crisis in 1983 when the bottom fell out of Hong Kong's property market. Its Hongkong Land was left to "draw fre," leaving Jardine staff comperatively unharcessed by journalists, bankers or the investing public.

Second, in one of his first moves as chairman and as a matter of executive philosophy, cent, it looked certain to collapse, wrong time," recalls Brian The restructuring seems set to the survival of both.

The restructuring seems set to make the ranch at the restructuring seems set to the first the property from the late of the past two years.

Jardine was plunged into that are lower than they have been since 1978.

Two factors evidently helped executives to concentrate efforts on survival. First, Hong-property market. Its Hongkong Land was left to "draw fire," leaving Jardine staff for the past two years.

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Two factors evidently helped executives to concentrate efforts on survival. First, Hong-property market. Its Hongkong Land was left to "draw fire," leaving Jardine staff for the past two years.

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Second, in one of his first moves as chairman and as a highly centralised comporate the property market. Its Hongkong that the time of the college for the past two years.

We bet the ranch at the ottom that hat the lower plantance

with interest soaring beyond 20 per cent, it looked certain to collapse.

The restructuring seems set to release for shareholders in Jardine and Hongkong Land substantial value that has until now been hidden in the groups.

Key to this has been the completed and imminent spin-offs from Hongkong Land valuable substantial value for the groups.

We bet the ranch at the wrong time," recalls Brian Powers, recruited to the main board ten months ago to mastermind group strategy. Few predicted the scale of Hong Rong's property collections and imminent spin-offs from Hongkong Land

quieter linear motor train, large-capacity thyristor and monorall car.

matter of executive philosophy, simon Keswick dismantled a highly centralised conporate structure and devolved to two heads of individual operating companies the responsibility for running those companies. From 22 executives working on the top floor of the Connaught Centre, he cut the total to five. "When things were going

very badly, the real headaches were carried by the five men on this floor," Simon Keswick recalls. "Men who were runming operating companies did not have to be bothered by the problems at the centre."

A factor behind the placing of Hongkong Land in the front

of Hongkong Land in the front line was that underlying the Sigmese twin relationship had been a power struggle between the two groups. Hongkong Land, under its managing director, Trevor Bedford, had been expanding outside its traditional domain as a property group to take substantial stakes first in the utility Hongkong Electric, and then in Hongkong Telephone. It was thus challenging

Jardine's role as a diversified

trading group.

Jardine has not been slow to exploit the fact that as the market collapse swept the Hongmarket collapse swept the Hong-kong Land group to the brink of insolvency it could alter the balance of power between the two groups back in its favour. By setting in train the hiving off from Hongkong Land of two major subsidiary operations— the retailing activities of Dairy Farm and the Mandarin Hotel Group—Jardine has ensured that Land's wings are clipped so that it becomes a "pure property play," in the words of Brian Powers.

Brian Fowers.

There is no disputing that Hongkong Land shareholders have already seen value added to their holdings. In December, the wholly-owned Dairy Farm subsidiary was sold to Hongkong Land shareholders at a special price related to asset value only. The shares were subsequently given a quotation on the stock exchange. The Hongkong Land shareholders now died that instead of one Land share with a market value at the time of the deal of HK\$5.60 they now have two shares—one in Land and one in Dairy Farms—together worth around HK\$ 13. Even accounting for the cost to them of their around HKS 15. Even accounting for the cost to them of their Dairy Farms share purchases and the rise in the stock market, they are sitting on a healthy paper profit.

Land shareholders are now

preparing for a similar exercise with the Mandarin Rotel Group —worth about HK\$1.9bn—with

المنازية والمرابع والمتعالي والمنافظ والمراجع والمناطق والمناور والمنازية والمنازية والمراج والمراجع والماسية

the spin-off planned for the first balf of this year. If shareholders see similar gains from this transaction, then few will be complaining.

Jardine has meanwhile consolidated itself as the consolidated itself complaining.

Jardine has meanwhile consolidated itself as the conglomerate, using its roots as a diversified trading group to define "core" interests spanning retaking, hotels, insurance and financial services and trading, as well as its controlling stake in Hongkong Land Properties—as it is now called. Jardine can be expected to turn to its own subsidiaries turn to its own subsidiaries next in order to maximise the market to order to maximise the market value of the group. Most likely will be the group's franchising operations—encom-passing motor vehicle retail franchises to those of PizzaHut, the Tacobel fast food outlets, Maxims and the 7-11 retail out-lets.

Maxims and the 7-11 retail outlets, all mainly in the Far
East, and its insurance and
financial service activities.
Four men carry the responsibility for the restructuring of
the group. A permanent shadow
behind Simon Keswick, 44, is his
older brother, Henry, 48, who is
now based in London but has
extensive experience of Hong
Kong operations, and has never
been far from major decisions

reinforcing a trend by which real power over the group is becoming more firmly wielded from London. Questions are inevitably being asked about whether executives obsessed for so long with crisis management are the right people to "grow" the recovering

people to "grow" the recovering components of the group.

Early answers are unlikely. Jardine's engineering and trading operations are regarded as undistinguished set against competitors in the territory, as are the executives running Jardine's insurance and Chan-

cial services operations have a more formidable reputation, with the names of Rodney Leach and Aian Smith, who heads Jardine Fleming, well respected internationally. Questions here are more likely to hinge on how profitable the group can be in a sector that is

Kong operations, and has never been far from major decisions over the past decade.

The two strategic thinkers have both been imported—Roomey Leach two years ago from Jacob Rothschild, and Brian Powers only last year from James D. Wolfenson, one of New York's most select "boutique" merchant banks.

It appears that Powers, sitting in an office alongede that of this has unquestionably hurt morale. But it is argued by analysis and executives in the group that the group will in future be a much simpler one in an office alongede that of

assets but the general cannot have the geographical, asset and business mix properly," insists Keswick.

About 70 per cent of the Jardine group's assets are currently invested in Hong Kong, and the group aims to reduce this to 50 per cent. "The problem is that our Hong Kong ousinesses are doing so well at present that we are finding some difficulty in reaching that goal," says Powers.

The group's efforts to distance itself from Hong Kong drew volleys of criticism in the British territory, and probably inside China's leadership, too, when the group announced in

when the group announced in March 1984 that it was moving

ts headquarters to Bermuda.

Though Bermuda offers tax

Though Bermuda offers tax advantages, the shift in domicile is unquestionably linked both with the fact that Hong Kong will return to Chinese sovereignty in 1997 and the group's painful memories of the time the Communist Party swept to power in China in 1949.

Many recall that all of its assets in China were effectively confiscated after 1949. One observer recalls: "The group was almost taxed into liquidation. It only survived because it had some assets that the Chinese could not strip out." A group that has operated from Hong Kong for over 140 years parhaps inevitably has a long memory.

Management abstracts

The strategic value of price structure. A. A. Stern in The Journal of Business Strategy (US), Autumn 86 (10 pages)

Explains the concept of price explains the concept of price structures which is concerned with variations of price for different situations (eg for different customers or quantities); gives examples; explores the principles of setting price structures to respond to competiton, enhance revenues and assnage the cost of deliver-ing products or services.

Corporate fitness and bine-collar fears. K. Pechter in Across the Board (US), October 86 (8 pages)

Quotes examples to show that the US drive for comporate fit-ness has had an impact on white-collar staff only; claims white-collar start only; cames that these programmes have barely touched blue-collar staff who often have the most stressful jobs, the poorest health habits, and the least trust in management's "wellness" campaigns.

Living with AIDS in the workplace. R. Bayer and others in Across the Board (US), Sept 86 and Oct 86 (13 pages)

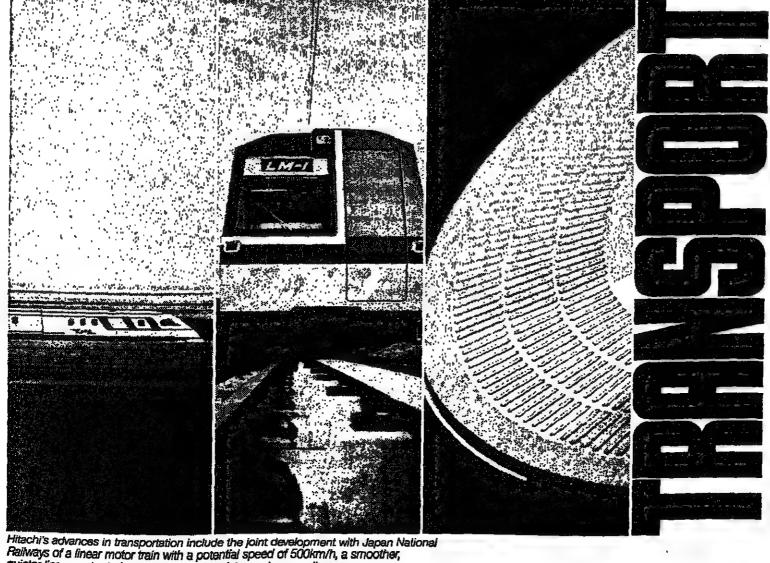
The first article looks at some of the personnel and insurance implications of the AIDS epidemic, and includes a dismised case example of how one company handled the fears of other employees on the return to work of an AIDS victim. The second article argues that if there is to be an answer to AIDS the medical facts must be fully understood and ideological rhetoric put aside; makes the case for the "tracking" possible carriers.

Seftware maintenance—an un-explored audit area. W. E. Perry in Journal of Account-ing and EDP (US), summer 86 (2½ pages)

Finds from survey results that software maintenance is ill-managed; argues that auditors should become involved because maintenance represents a major cost to organisations, and the risk of loss from ill-maintained operational systems is high. Suggests that management policies and procedures for maintenance be developed, software maintenance looked on as a discrete function, resources monitored, and standards set.

These obstracts are in the abstracting jour listed by Anber Manager Moustons. Licensed copies original articles may be obtood of the set including p+p; seah with order) in PO Bar 22. Wamber Mas

Transportation is not merely moving goods and people efficiently from place to place. It must be done safely, comfortably and in a systemized way.



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As with Peer Gynt's onion, layers of meaning can be peeled away from Hedda Gabler. Ibsen's study of creativity stifled and individuality dwarfed by sexual conventions can yield rich pickings on the psycho-logical, social or political planes. As a view of thwarted (social equality).

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Wite I

Hedda can be seen as the borg. This is Hedda as a mpotent aesthete, whose creative abilities are confined, to indeed. The implied mascular disgust, to procreation. impotent aesthete, whose creative abilities are confined, to her disgust, to procreation. However, death as much as However, death as much as birth is omnipresent in Gregory Smith's stylish setting at the Leicester Haymarket. Black and grey furniture, angularly arranged, is flanked by barren trees. The back room, always hidden behind black gauze, is on a raised platform between two pillars, from whose monumental urns sable foliage blossoms like funeral plumes. This drawing-room is entered This drawing-room is entered from below by way of trap-doors—apart, of course, from Judge Brack's approach by that significant. "back door"

Judge Brack's approach by that significant "back door."

Michael Boyd's production gives us the late romantic Hedda, the belle dame sons merci perhaps, but also the fated sphinx, doomed along with her victims. Plano transcriptions of Wagner, visual references to Klimt and Schiele, the black curtain that initially the black curtain that initially separates audience from past (Hedda hates the light)—all evoke the terminally inverted romanticism of Mario Prats'

romanticism of Mario
The Romantic Agony.

Some Heddas are funny ing both middle-aged playboy
(Joan Greenwood unforgettatbly
drawled out her lines to George
Cole some 25 years ago); some allegorical train journey
and the second of the second drawled out her lines to George Cole some 25 years ago); some go down fighting. Here Slan Thomas gives us a threnody for inertia. The production emphainertia. The production emphasies the negative aspects of her character. The desperately bored cigarette-smoking with which Hedda opens the play before savesdropping on the first scene heralds the New Woman; and she actually lost manuscript before burning it. But the overall impression mess. Bill Stewart's amiable bumbling makes Tesman the provincial academic incarnate; Sandra Voe is a comforting and not-too-ridiculous Juliana (a teuch of Miss Voe's Edinburgh gentility would go down a treat hera) and Gaylie Runciman brings both Scots practicality and a dash of the fey to an unusually positive Mrs Elvsted.

bar or two texture and rhythm

set a precise new mood for the second subject and its other

de Peyer/Wigmore Hall

Richard Fairman

Martin Hoyle

is of an almost paralytic impotence. Her aggressiveness amounts to no more than helplessly impatient throwaway sarcasms until she is finally shaking with anger and bitterness at the realisation that she is the only static, unproductive figure in this company of nonremale spirituality, the play entities. She envies those who ranks with other Ibsenist pleas destroy their own world as for feminine freedom, The much as the cerators—even the Lady from the Sea (moral despised Mrs Elvsted can make choice) and A Doll's House the positive gesture of ruining (social analysis). the positive gesture of ruining her reputation to follow Loev-

is irrelevant.

is irrelevant.

Miss Thomas allies a flexible voice to the probing profile of a Pre-Raphaelite anteater in quivering quest of the Holy Grail. Why on earth should I be happy? is the key line in an interpretation that underlines her talent for "boring myself to death." Her destruction of the manuscript is striking: not in a stove, but in a waste-bin, where dangerouslooking flames dramatically illuminate the darkened stage. The black shape of Aunt Juliana in deep mourning is suddenly in deep mourning is suddenly apparent; and her sigh of "It was so beautiful!" of her sister's death ironically emphasises the pattern found in life by these commonplace people, while Hedda, the great sesthete, transforms all she touches into transforms all she touches into the "mean and ludicrous." A passive view of Hedda needs a less stiff Loevborg than John O'Toole, though his raw-boned celtic puritanism does hint at the rake reformed. Sean Scanlan is a first-rate Brack,

heavy with sexual suggestiveness. Bill Stewart's amiable

Architecture/Colin Amery

Celebrating Soane the hero

It is 150 years since the death or Sir John Soane (1754-1837) Two important events combine to celebrate this anniversary: the opening of some of the restored rooms of his country house. Pitshanger Manor. Ealing; and an important exhibition, Soune and After. The Architecture of Dulwich Picture Gallery, which continues at Dul-wich well into March.

What is clear and, indeed, has been clear for a long time, is that Soane has an uncanny relevance to the present day architectural debate. He has shown that the simplified but sophisticated use of the classical language has infinite architec-

The exhibition at Dulwich is the most thoughtful and clear account of Soane's architectural development. It is always fruit-ful to look in detail at the history of one building by any noteworthy architect, and at the Dulwich Picture Gallery it is possible to do this with the raw material of the Soane building at hand.

A chronological account de-scribes the gift to Dulwich College of the collection of pictures that had belonged to sir Francis Bourgeois accompanied by the donor's wish that his friend Soane should design a gallery and a mausoleum for Bourgeois and his friends and fellow collectors, the Desenfans,

Two important architectural points are made in the exhibition. One concerns the exact nature and the source of the perfect top light for which the gallery has always been so nighly regarded, and the other is the complexity and intensity of the architectural solution for the problem of a mansoleum adjoining a gallery.



Sublime grandeur on a small scale - Soane's mausoleum at Charlotte Street was the prototype for the one now at Dulwich

mausoleum

ence today is much brighter than originally intended by Soane. George Dance's Shake-speare Gallery, shown by a painting in the exhibition, is clearly the direct precursor of Dulwich

Dulwich.

Dance's gallery is plainer above the cornice line than Soane's but it is an intersting and important source. Soane uses the cube and the double are the transfer and it is cube in these galleries and it is these fine proportions that allow him to be completely plain and simple in the interiors.

The exhibition looks at the history of the classical mauso-leum in a useful way and deals with the question of "primi-tivism"—one of the areas where

Soane built at Dulwich it was still rural and the use of brick was possible in this situation, Primitive Doric was also considered appropriate for the

It is a joy to see the drawing relating to the dairy at Hammels by Soane—one of the earliest recorded examples of rustic primitivism. Again and again it is possible to look from again it is possible to look from the drawings or documentary material to the original build-ing—a most rewarding aspect of this exhibition.

There is also an excellent catalogue by Giles Waterfield which ends with some cursory

explorations of the reasons for Dulwich has always been tivism"—one of the areas where Soane's popularity today from a some ways hard to love but much admired as a top-lit gallery although what we experisement with Soane. When tects. Nothing any of them say be ignored.

is half as eloquent as a visit to Dulwich itself.

The restoration of the Soane rooms at Pitshanger Manor in Ealing is altogether a less happy event. While the removal of the public library and the sub-sequent conversion of the house into a museum and meeting centre must be welcomed, the actual restoration of the rooms is a worrying compromise. Admittedly there is no furniture but the breakfast room and library have a brightness and coarseness in the repainting that is far from satisfactory.

It is early days, but all the warning signs are there that warning signs are there that this restoration is wobbly and uncertain. Lack of funds as well as a lack of inspiration has led to the compromises at Pitchanger. The house is too important to suffer the kind of accurate economy that has produced a result that is only just in the spirit of Soane. in the spirit of Scane.

At the Sir John Soane Museum in Lincoln's Inn Fields the imminent opening of a new room of architectural models is an appropriate way to mark the 150th anniversary. The forma-tion of a Society to raise funds for the museum is also to be welcomed as it will provide a valuable opportunity for some enlightened sponsorship. The fashionable rehabilita-

The fashionable rehabilitation of Soane as an architectural influence must be
supported by the properly
funded care of his buildings.
He is undoubtedly one of the
great geniuses of English architecture. His restraint and
elegance offer perfect clues for
the rehabilitation of a sane approach to architecture that does not ignore common history. Soane is a hero—reticent, noble and abstract—in some ways hard to love but

both works—there was an air of blunt ordinariness about the

playing that communicated itself to the listener more force-

A View from the Bridge

Martin Hoyle

confirmed at the Young Vic and on tour with the RSC. The melodrama of All My Sons aptly enjoyed a commercial run in the West End. At the Pit they struggle to spruce up the fustian old hat of The Archbishop's Ceiling. The National is currently presenting the forgettable American Clock. gettable American Clock. And the narrator explains; and we now, not long after (or so it see Eddie desperately rationalisseems) a Young Vic production, the NT's smallest auditorium mounts A View from the Bridge with the quiveringly earnest accolade of solemn programmenotes from the groves of outer provincial accodeme

provincial academe.

Assuming that Miller is the World's Greatest Living Playwright--which is the inescapable conclusion to be drawn from such incessant exposure—then the new View has much to admire, Alan Ayckbourn directs. Despite a long tenure as artistic director at Scar-borough, Mr Ayckbourn is best known to London audiences for his comic work (his production of Tons of Money cheerily holds the stage at the Lyttelton, not to mention his own writings).
This production shows him to

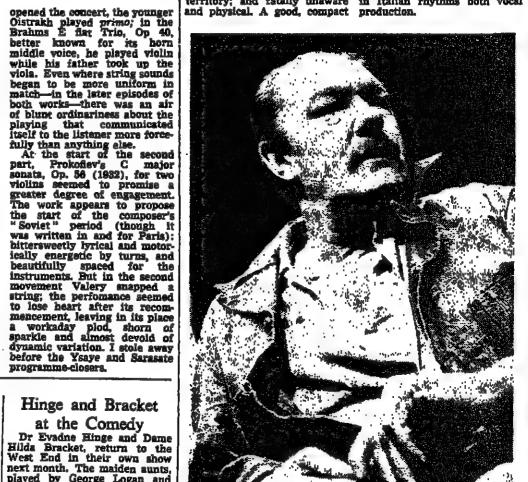
be a fluent and natural exponent of tragedy. He builds meticulously with small details, and establishes the tight-knit domestic atmosphere of Italian immigrant life in New York's dockland.

The London theatre's adulation of Arthur Miller thrives sive feelings towards his 17-apace. His undoubted masterpiece, Death of a Salesman, won acclaim at the National Theatre. The theatrical excitement of The Crucible has been unrealised, lealousy of the confirmed at the Voung Vienned. unrealised, jealousy of the handsome illegal immigrant sheltered in his home, from narrowed eyes as the boy exuber-antly bursts into song to an uncharacteristically angry comment on Catherine's new high heels. Thereafter he knows no peace: "A passion had moved into his body like a stranger," ing his resentment of the young man ("The guy ain't right"), to the painfully raw anger, hurt and hate when he surprises the couple together.

The incipient melodrama is avoided by rooting the family group firmly in recognisable reality. Little pauses, the cheerreality. Little pauses, the cheerful lack of words when new people meet, might come from a gathering of Ayckbourn's own characters. The production even makes the lawyer-storyteller's dated harping on destiny (the original play was written in verse; the curse of classic myths looms ominously close) tolerable. And when Michael Simkins's gravely watchful Marco. kins's gravely watchful Marco, the boy's elder brother, obliquely defends family honour by beating Eddie in a trial of strength, roaring, grinding sound effects and the stage darkening for the end of Act 1, inform us that the infernal machine is set in motion.

the tight-knit domestic atmosphere of Italian immigrant life in New York's dockland. Sound effects—seaguils, hooters, passing traffic, grinding machinery—are used sparingly, chiefly to top and tail each scene. The portentous narrator series and evice—the lawyer Alfieri is part Greek chorus, part cornball philosopher—is toned down by James Haye's naturalistic playing (apart from having him by itself).

Above all, the characters react to one another like a true ensemble. Michael Gambon leads the cast as Eddie Carbone, longshoreman, inarticulately aware of dignity, name and territory; and fatally unaware and physical. A good, compact



Michael Gambon

Saleroom/Antony Thorncroft

Oistrakh Trio/Wigmore Hall

Clement Crisp

London City Ballet/Brighton

In the past few years the scores. We are however, far clarinettist Gervase de Peyer from Ben Hur and El Cid with Jack Carter's Three Dances to Japanese Music. Giselle is a staging well conceived for the company's forces — just 29 dancers — and pleasantly designed by Peter Farmer. IBM can feel that their sponsorship funding is wisely spent; audiences can know that despite the inevitably reduced size of the version, this is a real Giselle, with no short cuts in Samsova's editing. There may only be 14 wills in the forest scene, but they move well and coherently, and this Romantic measterpiece is alive.

The exceptional interest of clarinettist Gervase de Peyer has made his career primarily in the US. For his return to the Wigmore Hall on Thursday he brought with him an unexpected cache of American expressions ("intermission" ability to work with equal for "interval") and, more importantly, a couple of works new to this country in his good fun and should attract other clarinettists.

rtantly, a we to this country.

Isgage.

In all the music that he plays this artist is quick in intelligence, lively in musicality. It follows inevitably that any composer who is asked to write a piece for him is likely to devise a score that will use his qualities to the full. Both the new works this occasion seemed ideal antertaining shown to grasp,

Their only match de Peyer's the problem of price of the recital ended to brilliance. The recital ended to brilliance, another clarinest showstopper, but this one also gave equal opportunities to Gwenneth pryor, the evening's very able accompanies.

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Their only match de Peyer's the priling and provides and jazzy Sonatina, another clarinest showstopper, but this one also gave equal opportunities to Gwenneth pryor, the exceptional intervention of Giselle. I gather that Miss Care and I am most happy to have done so. Seeming a soubrette in physique, she deploys a warm, creamy technique.

The acceptance of the recital ended to the private and private and private and private and private and provides a

The shorter of the two was a Sonata by the Californian teacher and pianist Michael Cave. This is a terse, bright single movement, which does not waste a note. Within just a home of the Royal Shakespeare Company and the London Symphony Orchestra, is to celebrate its fifth birthday in March with a special concert by Sir Georg Solti in the presence of the Duke and Duchess of Kent.

ideas were generally marshalled with equal skill. It was interestwith equal skill. It was interesting that the very high solo part mark four days of birthday

indeas were generally marshalted with equal skill. It was interesting that the very high solo part drew a more acerbic cutting edge from de Peyer than one might have expected.

For his other new work he furned to Miklo Rosza, still best known for his Hollywood film

The March 3 concert will mersing herself, and us, in the agonies of Giselle's suffering. But Miss Miller's second act, and here lies the test, I found of real merit. Her "inward ment for his Hollywood film can songwriter Cole Porter.

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The March 3 concert will mersing herself, and us, in the agonies of Giselle's suffering. But Miss Miller's second act, and here lies the test, I found of real merit. Her "inward ment for real merit. Her "inward ment for

London City Ballet,s current fulfils her destiny and the dance regional tour found them in flows on, strong and tireless. The Brighton at the Theatre Royal jump is clear, the small steps last week, where I was able to clean, phrasing meits delicately. See the company's latest repertory acquisitions. Galina Samballerina role and that Miss sowa's production of Giselle and Miller is talented enough to Jack Carter's Three Dances to undertake it without denying the services. undertake it without denying its greatness. There is danger in too much praise for a young artist as there is in too little, but I shall remember this interpretation with gratitude.

The ballet lived truly, despite a small stage and small re-sources because of the technical integrity and emotional sin-cerity of Kim Miller's dancing She was well partnered by Andrea Costa as a handsome Albrecht, and well supported by Janet Tait—a Myrtha who could have been drawn by Ingres— and the pretty ranks of the

Three Dances to

Music was created by Jack Carter for Scottish Ballet, where Marian St Claire (LCB's leading ballerina), Harold King (director of LCB) and Michael Beare (the company's rehearsal direc tor) were in the first cast. They have assured a fine revival and, Her first act is as yet rather mild, the peasant girl shy, the dance soft—albelt the bravura solo rang bright and true—and with Norman McDowell's opulent costuming, the present cast gives an excellent account of a ballet boldly theatrical. The three dances evoke Kabuke theatre and other forms of Japanese drama without quaintness; the sense of energy and the elaborate stylisation of effects in Carter's choreography are the fruit of a sure understanding of the subject. Three Dances is an excellent invest-ment for LCB's future, and one

owed to the sponsorship of Citi-

Max Loppert

At Saturday's Oistrakh Trio recital, according to the agent's handout, "history repeats itself as Igor Oistrakh introduces his son Valery to British audiences in the same manner that he himself was introduced by his father, David Oistrakh." Factually, the statement was correct: ally, the statement was correct:
Valery Oistrakh was making his
British debut, in company with
his father Igor and the planist
Leonid Blok. But it did not
feel like an occasion at which
history was being repeated—or,
indeed, made.

In London Igor Oistrakh's performing style (technically secure, massive, apparently impervious to spontaneous expressive nuances or emotional pressures) is well known. On the evidence of Friday's two-violin or violin-viola prformances, Valery would appear to follow his father's detached mode of audience address; but his intonation is less sure, in fact often uncomfortably sharp, and his control of phrasing is both sluggish and nervously indeci-

In the two-violin and key-dynamic variation. I stole away board sonata (BMV 1037) now before the Ysaye and Sarasate doubtfully ascribed to Bach that

Messiaen Festival

As part of the Camden Festival, the Royal Academy of Music is devoting six days to the music of Olivier Messiaen, with the composer present, from March 16-21. Among the venues will be the Academy and the Royal Festival Hall. Events in-clude concerts, recitals, masterclude concerts, recitals, master-classes, open rehearsals and ex-hibitions covering all aspects of Messiaen's work.

open in The Arkley Barnet Show for a four-week limited season at the Comedy Theatre from March 3.

Hinge and Bracket at the Comedy

mencement, leaving in its place

Dr Evadne Hinge and Dame Hilds Bracket, return to the West End in their own show next month. The maiden aunts, played by George Logan and Patrick Fyse, are scheduled to

LONDON

Sun Francisco Symphony Orchestra conducted by Herbert Blomstedt with Isaac Stern, violin. Wuorinen, Prokofiev and Brahms. Royal Fes-tivel Hall (Mon). (928 3191). Guildhall String Ensemble with Mi-chala Petri, recorder. Handel, Men-delssohn, Mozart and Vivaldi. Queen Elizabeth Hall (Mon). (928 3191).

3191).
Hallo Orchestra conducted by Stanis-low Skrowaczewski with Rudolf Buchbinder, piano. Barber, Beet-hoven and Tchalkovsky. Barbican

hoven and Tchalkovsky. Barbican Hall (Mon). (538 5691).
City of London Choir and City of London Sinfonia conducted by Donald Cashmore with Patrizia Kwella, soprano, Margaret Cable, mezzo-soprano, Neil Mackle, tenor, Stephen Varcoe, bass and John Birch, organ. Mozart. Barbican Hall (Tue).
BBC Symphony Orchestra and Chorus conducted by Peter Eotwos with Dorothy Dorow. soprano and Sarah

othy Dorow, soprano and Sarah Walker, mezzo-soprano. Xenakis,

Bartnk and Ligeti. Royal Festival Hall (Wed). Ity of Birmingham Symphony Or-chestra conducted by Simon Rattle

with Andre Watts, piano. Schoen-berg, Brahms and Sibelius. Barbi-

Scottish Chassher Orchestra, Choeur de la Chapelle Royale conducted by Philippe Herreweghe, Howard Crock, Tenor, Gregory Reinhart, bass: Mozart (Mon). TMP-Chatelet

Margarita Zhumermann, mezzo-sop-rano, John Fischer, Piano: Vivakii,

it was only during the latter part of the mad-scene that there

came that frisson of excitement

that tells of an artist catching the measure of the role and im-

day. Exhibitions/Thursday. A selective guide to all the Arta

February 13-19

Special Subscription



Music/Monday. Opera and Batlet/Tuesday. Thomas/Wednes-

insterdant, Concertgebouw, Piano recital by Yuri Egorov (Tue), The Amsterdam Baroque Orchestra con-ducted by Ton Koopman, with Phiducted by Ton Koopman, with Philippe Huttenlocher, bass: Bach (Wed). Charles Dutoit conducting the Concertgebouw Orchestra, with György Pault, violin: Dutillens, Litosisviki, Roussel (Thur). Recital Hall: Schubert Lieder sung by Udo Reinemann, beritone, accompanied by Rudoif Jansen (Mon). Rund van der Meer, baritone, and Rudoif Jansen, piano: Schubert, Schumann, Brahms, Wolf (The). The Amsterdam String Quartet: Beethoven, Mozart, Bruckner (Wed). The Duty Quartet: Schubert (Thur). (718345). Rotterdam, Doelen. Arie Keijzer, organ: Bach, CPF. Bach, Keijzer,

Strecht, Vredenburg. The Royal Con-

The Hague, Diligentia. The Hague Philharmonic Chamber Ensemble, with Lucia Meetuwsen, mezzo-sopra-no: Stravinsky, Schnyt, Diepen-brock, Orthel, Dohnanyi, Spohr, Jo-livet (Wed). (55 1851). wirek, Ortaki, Donnaryi, Sporr, Jo-livet (Wed). (651851).

Ward Swingle conducting the Nether-lands Chamber Choir 'à la Swingle'.

Tue in Groningen, Oosterpoort (131044), Wed in Nijmegen, Vereen-keing (221100).

iging (22 11 00). **NEW YORK**

Carnegie Hall: Alban Berg Quartet with Shlomo Mintz violin, Shostako-vich, Beethoven, Mozart (Mon); Or-chestra of St Louis. Trevor Pinnock chestra of St Louis. Trevor Pinnock conducting and fortepiano, Elmar Oliveira violin, Bach, Mozart, Haydo, Stravinsky (Tue); Tashi with Lukas Fosa, piano. Mixed programme including Foss local premiere (Wed); Warsaw Philharmonic. Kazimierz Kord conducting, Misaha Dichter piano. Tchafkovsky, Rachmaninov, Lutoslawski (Thur). (247880)

New York Philharmonic (Avery Fisher Hall): Krzysztof Penderecki conduc-ting, Paul Neubaner violin, Jan De-Gartani mezzo-soprano, Simon Es-tes basa-baritone. Penderecki, Shos-balouida (Yua). takovich (Tue); Krzysztof Pender-ecki conducting, Maxim Shostako-vich conducting, Mstislav Rostropo-vich cello. Penderecki, Haydn, Tchalkovsky (Thur). Lincoln Center (8742424)

Music at the Crossreads (Withney Museum Branch): The third annual American Sampler this week fea-tures young American composers Leura Kargman, Bright Sheng, Mi-chael Turke (Tue, 6pm) Sculpture Court, Philip Morris Bldg, 42nd & Park

Song of sixpence

There is no question that the most important auction this week is the sale at Sotheby's that run wild on the Island. of over 400 drawings and water-colours from the collection of the late Sir John Witt, who heavily counting from the wild.

Gainsborough landscape estimated at up to £30,00 for which Sir John paid 20 shillings when a student at Oxford. A Thomas events in the London calendar. Girtin view of Hereford Cathedral sold for £82 in 1970 and is now valued at up to £80,000. But there are also many modestly estimated items in the finest single collection sale of its kind

for years.

Many prices are certain to be way above forecast and there will be artist records by the dozen, including one for Sir by Gourlay Steell seated on an John's pet painter, William ermine rug and velvet cushion Henry Hunt. The Old Master section may not be of the and a sword. The painting is strongest, but modern British estimated at up to £6,000. artists, like Ambrose McEvoy, Nash, Wood and Fry, are well

Tomorrow Christie's bolds an earliest coins struck for the cast. As well as paintings, dog English colonists in the collars, ceramics, bronzes and Americas. It was issued about pipes, car mascots, scent bottles, 1616 in the Sommer Islands, etc, modelled on canine now Bermuda, and is known themes, will be included.

represented.

colours from the collection of the late Sir John Witt, who bought constantly from the mid 1920s up to his death in 1982, acquiring top quality water-colours and drawings of every school and period at what today seem like ridiculously low prices.

For example, on offer is a Gainsborough landscape estimated at up to £30.00 for which

Alestair Myst

Today it is selling over 750 lots with a doggy theme to coincide with Crufts. The auction is in two parts — at 11 am and 6 pm. The highest price may well be paid for a watercolour portbe paid for a watercolour pur-rant of a King Charles spaniel, "Jeannie," which is reported to have been the favourite dog of Queen Victoria. It is portrayed

A sentimental Victorian genre picture of a giant Newfoundland offering his paw to a little girl half his size, by Byron Webb, anction of coins with some very is estimated at up to £6.000, but intriguing lots, not least a six-pence which was one of the foundland with a £40-£60 fore-

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Arts Guide

Music

appears each Friday. tett from Holland. 16th and 17th

Tosti, Tchaikovsky, Rachmaninov (Mon). Théâtre de L'Athenée (47426727)
Salzburg Mozarteum's Camerata Academica conducted by Sandor Vegh: Mozart, Schubert (Tue): Mozart, Stavinsky, Borodin (Wed). Both at 6.30pm at the Theatre de la Ville (42742277)
Nouvel Orchestre Philharmonisus re Philharmor

Nouvel Orche Nouvel Orchestre Philhamoonique conducted by Uri Segal, Joseph Kalichstein, piano: Lutoslawski, Dvorak, Prokofiev (Thur). Radio Franca, Grand Auditorium (45241516)
Vienna Chamber Orchestra, Sylvia Greenberg, Yvonne Kenny, Sopranos, conducted by Philippe Entremont Mozart (Thur). TMP-Chatelet (42330000)

BAUSSELB

San Francisco Symphony Orchestra conducted by Herbert Blomstedt. Mozart, Stravinsky, Brahms (Tue). French National Orchestra conducted by Lorin Mazzel, Rimsky Korsakov, Stravinsky (Wed).

ITALY

Milan: Testro alla Scala: Carlos Kleib-er conducting Beethoven, Mozart and Brahms. (Mon). (80.91.28). Bologna: Testro Comunale: Münchener Philharmoniker conducted by Sergiu Celibidache, Milhaud, Debussy and Schumann (Mon and Wed). (222,999)

iazione: On Sunday, Monday and Tuesday Giuseppe Sinopoli con-ducts Mozart, Elgar and Sciarrino. The Münchener Philharmoniker. Schumann and Mussorgsky (Thur). tome, Oratorio del Gonfalone: (Via del Gonfalone 32/A): The Quink Quintent from housing, 19th and 17th century songs and madrigals (Thur). (88.75.952).

Rome, Testro Ghione, Via Delle Fornaci, 37: The pianist Vlado Perlemuter, Faure, Chopin, and Mozart. (63.72.394) (Thur).

HETHERLANDS

Rotterdam, Doelen. Arie Keijzer, or-gen: Bach, C.P.F. Bach, Keijzer, Franck (Mon). Recital Hall: The I Fi-amminghi Chamber Ensemble con-ducted by Rudolf Werthen, with Matthias Maurer, viola: Telemann (Tue). Robert Hall, bass, accompan-ied by Rudolf Jansen: Schubert (Wed). The Mondrian Quartet: Pur-cell. Wasenaar. Tues. (Thur) Wagenaar, Ives (Thur).

(4142911). cervatory Orchestra conducted by Elgar Howarth, with Manon Heijne, soprano: Grieg, Richard Strauss, Tchaikovsky (Thur). Recital Hall-Monique Morelli with chanson settings of poems by Villon, De Rons-ard and Bruant (Wed). (314544).

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Monday February 16 1987

Gorbachev's new look

MR MIKHAIL Gorbachev is due to address a group of prominent Westerners about his new approach to domestic and international affairs in Moscow to-day. No doubt that helps ex-plain the timing of the release from prison of Mr Josef Begun, the Jewish dissident, at the weekend. Another 140 political prisoners were released last week—the largest single batch to go free since de-Stalinisation

in the mid-1950s.

Where the Begun case looks exceptional is that the decision could be said to have been taken in response to—or at least in spite of—demonstrations, Previous Soviet administrations have tended to batten down the hatches at the first sign of open protest. Mr Gorbachev has not.

Yet it must have been a close run thing: the harrassment of Soviet Jewish demonstrators on the streets in the past few days suggests that it is not easy to get the message of liberalisa-tion, if that is what it is, all the way down the line. Also, although Dr Andrei Sakharov was released from internal exile and allowed to return to Moscow, scarcely a word of that has appeared in the Soviet media.

There are other reservations. Far more political dissidents are still behind bars than those who have been let out, even if some of their sentences are now said to be under review. Other Soviet citizens remain detained at the Kremlin's dis-pleasure for their lack of Marxist practice or their propa-gation of religion. The system continues to be essentially arbitrary.

The Soviet penal code is being officially re-examined. If the result were to be the dropping, or even just a narrower definition, of article 70, which makes "anti-Soviet agitation" a criminal offence, an historic step forward would have been taken. But it has not happened

Quite apart from conservative leaders in the Kremlin who may be urging Mr Gorbachev to go slowly, there are others in Eastern Europe who will not ship in Czechoslovakia has already spoken out loudest and strongest. Since 1968 the re-gime in Prague has kept itself closely attuned to conservatives in Moscow; it begins to feel threatened when the Soviet General Secretary sends a dif-

General Secretary sends a dif-ferent signal.

Other Soviet allies may be less nervous. Yet it is striking that only Hungary, farthest along the path of economic and political reform and the least intolerant of dissent, has actually welcomed Mr Gorba-chev's latest moves.

It would be naive to assume, however, that the Soviet leader has not thought of at least some of the difficulties presented by his new policies in advance. Any authoritarian regime finds it hard to liberalise because the population tends to ask for more han was originally on offer, and to want it faster, while the con-servatives in the regime tend to fight back. Also, it is very diffi-cult to liberalise in one sphere —say, the economic—without liberalising in others—say, the political and cultural. Recent events in China bear that out. Besides, it must be a reasonable hypothesis that the Soviet leadership does not want to provoke any more upheavals in Eastern Europe, and is bound to tread carefully,

Nevertheless, it looks as if Mr Gorbachev has concluded that his country, although mili-tarily a superpower, is econ-omically retarded, and that the price for modernising the Soviet economy is some opening up of Soviet society, both internally and in its contacts with the out-side world.

Tentative steps

It is a risk that he has chosen to take: the first steps are still tentative and the outcome is uncertain. In particular, it is far from clear that the new approach at home will lead to any fundamental changes in Soviet foreign policy. Yet it would be foolish of the West to pretend that nothing is happening; there could now be calmer discussion of arms control, regional dis-putes and trade issues on which so little progress has been made take kindly to a whist of liber-alisation. The hard-line leader-in the past few years.

Big Bang: so far, so good

BIG BANG has not had a very good press. The Stock Ex-change's trading system got off wrong. Much increased com-to an embarrassingly awful start petition at the most liquid end last October, when a series of electronic foul-ups seemed to cast doubt on the viability of the whole market-place. Then came the disclosures of the Guinness scandal, which actu-ally took place months before Big Bang but which has still managed to give financial de-regulation a sleazy image. Yet this impression is misleading. There is a clear mes-sage to be drawn from our recent series on the first 100 days of the City revolution, and from the latest Bank of England

In the first place, the mechanics seem to be in order. The evidence for this is the scale and speed in which the Stock Exchange has been transformed from a traditional floor-based market into a telephone system operated from brokers' own dealing rooms. The Bank of England estimates that by the end of last December, about 95 per cent of business other than traded options was being conducted away from the floor. This could not have happened if the dealers had distrusted the new communications networks.

bulletin, and it is surprisingly

Lower costs

There are also clear signs that increased competition is having the effect that it is supposed to: the quality of the market is improving, and trans-action costs are sharply lower. Before Big Bang, relatively few equities were traded in by more than five market-makers. Now the most active stocks, accounting between them for more than 90 per cent of market turnover, are traded in by at least six market-makers. This increased liquidity should help to lower the cost of capital for companies and widen the oppor-

tunities for investors. Transaction costs on trading in large lines of shares have been cut roughly in half, and fears that the small investor would have to pay a lot more have not so far been realised. Retail customers are being offered a wider range of services and their business will be sought after even more actively once the automatic system for

petition at the most liquid end of the market has led dealers to look for trading niches further away from the frontline, leading to a greater volume of activity in second and third line shares. The Unlisted Securities Market seems to be flourishing and the Third Market has been launched, allowing very small or young companies to find a low-cost market for their shares in a more open and better regulated environment than had been available in the past.

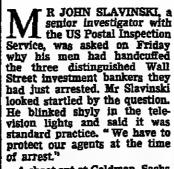
Mutual support

Regional companies and investors can also hope for improved services. A number of provincial broking firms have formed themselves into group-ings which will give them access to new capital and shared services while retaining their independence. Businesses with strong local support for their shares are all too rare in the UK, but there are plenty of examples in the US of the advantages of such a close rela-

On the regulatory front, the merger of the markets in domestic and international equities has taken place with a degree of smoothness that would have seemed multimable a year ago. The Financial Services Act the most comprehensive over-haul of investor protection law for more than 40 years—is pro-ceeding on track. Important progress is being made towards the regulation of security mar-kets across frontiers. The UK and the US have agreed on a framework of mutual support, and further bilateral agree ments involving the UK are in

Of course, a lot could still go wrong. The main unresolved questions are about regulation and capacity. Grave doubts remain about the likely effectiveness of the so-called Chinese Walls between different de-partments of a financial conglomerate. And, as expected, the securities firms are not making a satisfactory return on large parts of their capital, especially in the glit-edged market. This is an unstable and unsustainable position, and a shake-out is inevitable sooner executing small orders has been or later. So long as the pain installed later this year.

Those who argued that the new trading system would discourage the making of markets



A shoot-out at Goldman, Sachs may sound absurd, but the investigators are used to violent criminals. Mr Rudolph Giuliani, the US Attorney in Manhattan who is leading the far-reaching investigation into Wall Street insider trading, made his name from a series of spectacular prosecutions of mafia bosses. He is unimpressed with the prestige s unimpressed with the prestige of the investment bankers, their million-dollar salaries, their expensive Manhattan apart-ments and week-end houses in New England, their photographs in annual reports looking busy or responsible.

For Mr Giuliani, insider traders are just another set of hoodlums, but easier than hoodlums, but easier than mobsters to prosecute. They inform better. "It's safer," he said last week, "and they roll

said last week, "and they rou much easier."

The investigation by Mr Giuliani and the Securities and Exchange Commission into the arcane practice of stock trad-ing on insider information last week turned into something much bigger: a full-scale, national tribunal on Wall much bigger: a full-scale, national tribunal on Wall Street's conduct during the wave of takeovers that has reshaped corporate America and altered the lives of thousands of Americans. Wall Street was on the stand and it did not look stand look good.

look good.

The public was treated to a set of allegations that individuals and one bank systematically profited from price-sensitive information received in confidence from their corporate clients. Because shareholders only give up their companies at a premium, information on at a premium, information on takeover bids raise market prices, sometimes dramatically.
With competition eating up
profits at more traditional activities, more and more Wall Street investment banks have institutionalised dabbling in takeover stocks by setting up departments for what is grandly termed "risk arbit-

rage."
The stock market managed The stock market managed to get through last week's allegations with only a minor drop on Thursday, compared with the very sharp fall in the price of takeover stocks last November when Mr Ivan Boesky, a well-known takeover speculator, agreed to disgorge \$100m in fines and profits made out of illegal insider trading. Takeover activity is already sharply down this year, partly because of the investigators' cloud hanging over the market cloud hanging over the market and partly because of changes in the tax laws. However, the market has yet to digest fully

Mr Siegel proved most useful to Mr Boesky by passing secret information about the Carnation Company, the Los Angelos food processing group, which accepted a \$2.9hn bid from Nestlé of Switzerland in September 1924.

According to Mr Gary Lynch, chief investigator for the SEC in the insider trading case, Mr Bossky cleared \$28.3m in profits directly attributable to Mr Siegel. In court on Friday Mr Siegel settled with the SEC without admitting to the charges. Its agreed to pay \$9m, to co-



Martin Slagel

INSIDER DEALING

Handcuffs and tears on Wall Street

By James Buchan in New York



Rudolph Giuliani

some unpleasant prospects: more strident calls from Washington for tighter regulation and, conceivably, a flood of law suits against those banks that harboured insider traders, even unwittingly.

Ironically, the arrests took Wall Street by storm just when the investigation seemed to be losing the momentum built up in November when Mr Ivan Boesky, a well-known stock speculator, agreed to pay over \$100m in profits made out of insider trading.

On Wednesday, Mr Giuliani seemed to confirm reports that

bankers were refusing to co-operate or invoking fifth amend-ment rights to keep silent. Without co-operation, insider trading is notoriously hard to prove in court. The investiga-tion, Mr Giuliani said, could take "six months or a year to Some lawyers believe that

the SEC and Mr Giuliani had decided Wall Street needed a reminder. That evening, Mr Timotly Tebor was taken hand-cuffed from his East Side apart-ment and jalled for the night. Mr Tabor, 38, a former Rhodes Scholar and a chartered accountant, is typical of a new generation on Wall Street: restless, exceptionally hard-working and just as fond of money. His sister described him as a "yuppis on a very high scale." His speciality is risk arbitrage and he has moved on and up from Kidder, Peabody to Chemical Bank and then to Merrill Lynch, But he de-parted from Merrill, apparently because he had invested aggressively in stocks which collapsed with the Boesky reve-lations in November.

Giuliani. On Thursday, his former colleague in the arbi-trage department of Kidder, Mr Richard Wigton, 52, a well-liked and low-key banker who had been at the firm for 20 years, was led away from the bank, handcuffed and in tears. Meanwhile, across at Goldman, Sachs, Mr Robert Freeman, 44, a partner responsible for risk arbitrage, was also being arrested. The three were charged in court with swapping material non-public information" on their corporate

clients' strategies, resulting in "millions of dollars of illegal profits to Kidder" and helping Mr Freeman to trade on his own Up to that moment, Wall Street had tried to argue that Mr Boesky was always a colour-

mi Boesky was always a condu-ful outsider who had picked up a few "bad apples" such as Mr Dennis Levine, a managing director at Drexel Burnham Lambert, to pass him tips, The courthouses uptown was the opposite. Here were people accused of making money illegally not for themselves but their firm, and getting their tips from a general partner at Goldman, Sachs, perhaps the least mercenary and star-struck of Wall Street houses and the most respected for its devotion to its clients' interests. In fact, Goldman had only reluctantly bowed to fashion and started handling hostile takeovers and equally reluctantly started speculating on them with the bank's capital. All three men denied wrong-

doing and Wall Street was puzzled that Mr Giuliani had It was Mr Tabor's period at Kidder, particularly 1984 and 1985, that interested Mr dared to bring the case without co-operation. But in the midst of the charges, Mr Giuliani and the SEC dropped their second bombshell; a confidential source, known by the codename CS-1, who had worked at Kidder in 1984-85, admitted to involve-ment in the ring and "provided very extensive details."

It did not take Wall Street long to identify CS-1 as Mr Martin Siegel, 38, who had just sold a \$3.5m country house. Lured away last year from Kidder to be co-head of corporate finance at the brash and fast-growing Drexel Burnham, Mr Siegel is good-looking, boundlessly confident and rich. He is also one of the most imaginative deal-makers in Wall Street, responsible for such celebrated and risky manoeuvres as Martin Marietta's "Pac-Man" defence against Bendix in 1982, where Marietta turned round and counterbid for Bendix. However, according to a bulky

mplaint from the SEC, he told Mr Boesky what he was doing with Marietta and three other large deals while at Kidder, which netted Mr Boesky just under \$83m in direct profits. In return, the SEC says, Mr Boesky's agents handed over \$700,000 in an infantile arrange-ment, whereby cash changed word and at a "conspicuous public location." Later Mr Boesky led the investigators to Mr Siegel.

On Friday, looking dignified but with tears in his eyes, Mr Siegel pleaded guilty to insider case and to fiddling his taxes in

1985. He settled with the SEC on the Boesky charges by paying across \$9m, half in cash and the rest his equity interest in Drexel.

The new allegations reveal that Mr Boesky's Wall Street contacts were at a very high level and he was taking illegal tips as early as 1982.

It is possible that Mr Siegel informed Mr Boesky about every price-sensitive deal Kidder arranged from 1982 at least until late in 1985, when the SEC says Mr Boesky stopped paying. That could mean that Kidder and its main shareholder General Electric, which will probably have to give up any illegal arbitrage profits made in its name, will be deluged with lawsuits. Com-panies such as Nestle, Marietta, Texaco and Diamond Shamrock may be able to argue that Kidder's insider traders and Mr Boesky bid up the stock prices of their acquisitions or attempted acquisitions (Carnetion, Bendix, Getty Oil and Natarana approximation). Natomas respectively). The same could happen to Goldman

its outside investor. sing its outside investor, Sumitomo Bank of Japan.
Equally, the arrests and Mr Siegel's guilty plea will increase the pressure to tighten the regulation of securities markets and to curb takeover activity, which is seen as the prime opportunity for illegal profiteering. The pressure is coming ing. The pressure is coming not only from businessmen, from such scarred victims of takeover battles as Mr Fred Hartley of Unocal and Mr Robert Mercer of Goodyear, but

in Washington itself. There are no fewer than nine bills to reform takeover rules Giuliani is doing is going down real well in Washington," said Mr John Stoppelman, a lawyer with wide experience of securi-ties regulation.

Whatever happens in Washington the investigation is bound to throw up more victims. Mr Giuliani describes it as "very active." Lawyers familiar with the SEC say that as the inquiry has widened, so the commission has become deeply interested in Drexel Burnham and above all in its controversial and highly profitable "junk bond" operation in Beverly Hills.

The operation, run by Mr Michael Milken, a secretive man described even by critics as a brilliant banker, has financed a spate of heavily leveraged takeovers and buy-outs through selling investors low-grade, high-yielding parer secured on the assets and cashflow of the target company.

The SEC says that Mr Siegel stopped receiving money from Mr Boesky while still at Kidder in late 1985, when a planned payment of "several hundred thousand dollars" did not materialise. Drexel itself issued a terse statement on Friday pointing out that all the Siegel allegations concerned matters
"prior to his joining the firm
one year ago." However,
lawyers believe that with Mr
Siegel, Mr Boesky and Mr
Levine all co-operating the investigators are at least well positioned to examine the Drexel operation. "Mr Siegel's co-operation bas

been very valuable," Giuliani said. "Like

BEHIND THE TAKEOVER OF CARNATION

with the investigathe securities industry. Mr Lynch set out the SEC's posi-tion in a long document filed with a US district judge in

The takeover of Carnation is a classic example of how Mr Boesky had access to information that the market as a whole did not possess. In April 1984, the SEC says, Kidder Peabody was retained as adviser by Carnation, a solid, cautious and well-man-aged company distinguished

for the invention of milk powder. But the Stuart family. ness in 1899 and still held 30 per cent of it, apparently wanted Kidder to help in find-

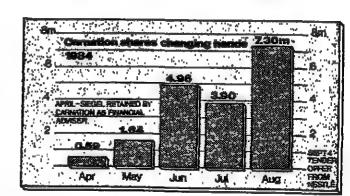
ing a buoyer.

The SEC says that Mr Siegel learned "material nonpublic information concerning the interest of a controlling shareholder in selling his con-trolling position in Car-nation." The SEC says that Mr Siegel passed this informa-tion outo Mr Boesky. From June 6 to August 27 Mr

Boesky bought 1.7m shares at prices ranging from the mid \$50 to about \$71.

trageurs piled
But despite rumours of imminent takeover in the press
in June, and two stock exchange inquiries in August, Carnation said that it knew of no reason for the surge in its

share price. On September 4 Nestle announced a tender offer for Carnation at \$83 a share and the share price rose to ma(t'). Mr Boesky sold out and Maped his immense profit.



Star wars' uncertain gleam

Working for President Reagan's Star Wars programme offers a head start these days for those ambitious to make a career in the US defence industry.

Dr Gerold Yonas, former deputy director and chief scientist of the strategic de-fence initiative organisation, the Pentagon body overseeing the project, has just become president of the technology division of Titan Corporation, a leading US defence systems group based in San Diego.

Yonas says that in leaving his defence department post he felt like "a fat lady removing her corset."

Yonas' verdict on the Star Wars programme so far is that he is pleased with the results, and he is optimistic about the project producing results.

From what I hear from moles in Washington there will be a different message from a top-level study of Star Wars which is being conducted by a scien-tific team at the Office of Tech-



"Spent a fortune on Valentines — no life peerage, not on the BBC short list, and my phone still doesn't work."

Men and Matters

nology Assessment, a research comes complete with a cap of arm of Congress. Having already produced a critical report on SDI in 1985 the office has now been com-

missioned to home in on two important aspects of the programme. Can an operational anti-missile shield survive Soviet counter-measures? and can scientists construct good enough computers to control

the system? Speculation is that the answers from the office to both questions will be "No."

Gown provided

The Oxford does are suffering from a bout of election fever.

With the deadline for nominations for the chancellorship of the university on March 2 speculation is rife over who will So far Roy Jenkins, Edward Heath and Lord Blake have sent in their nominations but in spite of all the excitement I have to point out that the winner's prize is a dull one. The duties of Oxford chancellors are neither varied nor particularly taxing. Apart from opening new buildings the chancellor is expected to attend degree ceremonies but it is up to him to decide how often he wants to sit through them.

Harold Macmillan went every year but his predecessor, Lord Halifax, sometimes gave them a miss, saying the vice-chancellor should have a go. No stipend, unlimited ex-penses account, trips abroad, or

chauffeur driven limousine, accompanies the job. The only perk is the £9,000 gown for processions through the streets. Made of black brocaded silk with gold laced trimming, the 60-year-old robe

The second of the second secon

Perhaps that makes it all worth while.

Dished

Professor Alan Peacock is stuck with a bulky hangover from his days investigating the future of broadcasting for his recent report.

It is a satellite dish, nearly 6 ft across, at the bottom of his Edinburgh garden. It was installed by the Home Office to allow him to see the new international cable television More than six months after

his committee reported, and he went off to be chairman of the Scottish Arts Council, the dish is still delivering 20 channels of television to the Peacock household. His wife Margaret wants to be rid of the beast— "It's where the snowdrops used to grow," she complains. The Home Office asked for it back—they don't have one of their own. But since Peacock sent them a postcard pointing out it is set in concrete there has been a deafening silence from official quarters.

Limited chivalry

What is an English gentleman's word worth in hard cash.

About £15,000 at best, according to Trevor Abrahmsohn, a Double-edged director of London estate agents. Glentree Estates, which daily experiences the problems of getting people to support their aspirations for new homes with

hard cash. Glentree has been running a campaign to minimise "gazumping" by insisting on both parties to a house transaction shaking

hands and exchanging a verbal oath of commitment. Abrahmsohn reports, sadly, that in his experience, if the seller is offered more than £15,000 extra he will usually renege on the first deal.

Behind the Bar

The creation of a City of London livery company for bar-risters is suggested by John Phillips, QC, in the Bar's journal Counsel.

It is time, he argues, for barristers to take their place alongside solicitors, accountants, arbitrators, and other professionals to be found among the City livery companies. Many senior barristers prac-

tise in chambers. Others work as legal advisers, company lawyers, or as secretaries to national and international bodies based in London, Traditionally the livery com-

panies have been guilds of money-makers — traders and craftsmen. The barristers' case for having their own livery is that collectively they make a significant contribution Britain's invisible earnings. A livery company, says Phillips, would also identify the Bar as "a separate, important, and senior profession, providing service of a high intellectual

order for the country's econo-mic and political life." A more mundane reason is that it would be a morale booster for the legal eagles in these changing times.
Phillips thinks a livery com-

pany would help revive the Bar's esprit de corps.

What should such an illustrious new band of brothers and sisters be called. I offer a suggestion — The Worshipful Company of Word Processors.

Why are Poland and the US exactly alike?
In the US you can't buy anything with zlotys; and you can't buy anything with them in Poland, either.

Observer

Banco de Bilbao S.A. **Annual General Meeting of** Shareholders

The Board of Directors of Banco de Bilbao S.A., in the presence of their notarial adviser and in accordance with the Company's statutes and with current Companies Law, has resolved to call a General Meeting of Shareholders to take place, on first convocation, at 12.30 p.m. on 13th March, 1987 at the Cine Capitol, Villerias 10, Bilbao, Snairi

Should the legally required quorum for the meeting not be present, the meeting will be held on second convocation at the same place and time on 14th March, 1987.

In view of the number and wide geographical distribution of the Company's shareholders, it will be virtually impossible for a quorum to be present on first convocation, and therefore it may be taken for granted that the Annual General Meeting will be held on the following day, that is, on Saturday 14th March at 12.30 p.m. The Meeting will be held for the purposes of submitting to the approval of shareholders:

The Annual Report, Balance Sheet, Profit and Loss Account, proposed distribution of profit and report of the shareholding auditors, all relating to the 1986 financial year.

2. The actions taken by the Board of Directors in 1986.

The appointment of members of the Board of Directors.

 The appointment of shareholding auditors for the 1987 financial 5. The reading and, if it be the case, approval of the minutes of the

The documents referred to in paragraph (1) above will be available for inspection by shareholders at the registered office of the Company during the period of 15 days prior to the holding of the General

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Holders of depositary receipts to bearer (IDR's) wishing to exercise Holders of depositary receipts to bezerer (IDR's) wishing to exercise their voting rights in respect of the shares represented by the receipts held by them are reminded that in accordance with clause 14 of the terms and conditions they must lodge their receipts with Hill Samuel & Co. Limited by 4.00 p.m. on 10th March 1987 or with Morgan Guzranty Trust Co. of New York, Brussels by 4.00 p.m. on 9th March 1987. Voting rights may only be exercised in respect of depositary receipts representing ordinary shares duly recorded in the Company's share register five days before the date of the meeting.

to the nicotine equivalent of one

But the tobacco companies' credibility on public health issues is negligible and even if

their politicial influence is still considerable, it has been all but

overwhelmed by an extremely strongly worded statement put out last December by the US

Surgeon General. This amounted almost to an official call to arms: "To fail to act

now (against passive smoking) would be to fail in our respon-sibility to protect the public health," he said.

But even if the cigarette companies could resist the tide of anti-smoking legislation, the days of public smoking in America—particularly in the

workplace—would probably be numbered.

ing such moves.
One reason for companies to

one reason for companies to act was seen in a lawsuit filed last December in Washington state—the first action to claim damages against an employer, in

this case from the state govern-ment, for a debilitating lung

disease allegedly caused by ex-posure to cigarette smoke at

work. Now that the Surgeon General has publicly warned

against passive smoking, multi-tudes of other suits could follow

and employers may have difficulty pleading ignorance as

The tobacco industry has never managed to live down the

smug mendacity of its early advertising slogans, R. J. Reynolds, for instance, used to urge customers to smoke Camels

for "a harmless restoration of the flow of natural body energy." But for the be-leaguered smokers struggling against a hostile American

IN THE next month or so, it will be available in Japan. In about six months, it will reach the US—and by the end of the year, Europe. Within two years, it is likely to be the fastest growing consumer electronic product in the world.

Dixital Audio Tape (DAT)

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Digital Audio Tape (DAT) appears to be unstoppable. The latest brainchild of the Japanese consumer electronics industry, it is on its way despite the international music industry's attempts to block or cripple it.
The DAT controversy puts a

spotlight on a most unusual trade dispute, one which pits technology against a legal principle: should a tape recorder be deprived of its recording function in order to satisfy copyright owners? The music industry says yes. Japan

Says no. DAT offers perfect sound DAT offers perfect sound reproduction, comparable to compact disc (CD), on erasable, long-playing cassettes. Its very perfection is at the heart of the controversy. The Western music industry says DAT's ability to copy music flawlessly will open up worldwide pirating of copyrighted sound.

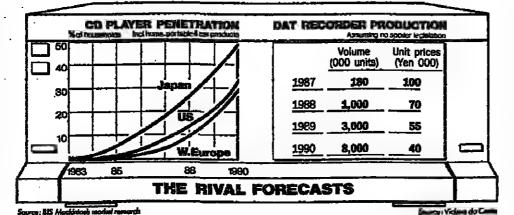
The Japanese, however, look at the same product with parental pride.

"It's the newest, It's the best.

home taping. Its copying quality is so perfect that it reaches the is so perfect that it reaches the quality of a studio master," says International Trade and In-Mr Nesuhi Eriegun, head of dustry (MITI) and now president of the Electronic Industries Association of Japan, the Japanese on behalf of the International Federation of issue, "I think this kind of Phonogram and Videogram Producers (IFPI) representing 640 music companies worldwide.

The industry is rooting for industry is not suitable for the industry is not suitable for the

THE AUDIO WAR



No stopping the DAT revolution

parental pride.

"It's the newest, It's the best. Consumers will want it, they already do. Nothing, really nothing, can stop that," says a senior executive at one of Japan's leading electronics companies.

Maybe, retorts the western music industry. But it could lead to an explosion of home taping, which would undermine taping, which would undermine taping, which would undermine to choose between a cheaper industry's royalty income.

"It's the newest, It's the best. By Carla Rapoport in Tokyo and David Industry Industry and David Industry In lead to an explosion of home taping, which would undermine to choose between a cheaper the industry's royalty income. Some senior executives even that it threatens the industry's very existence.

"DAT will surely aggravate the already disastrous effects of the alleady disastrous effects of the already disastrou

Mr Toshio Takai, formerly a senior official at the Ministry for music companies worldwide.

The industry is rooting for legislation to force DAT machines and tapes to carry an each country, exti-copying device known as a sconding to the law."

spoker. A bill on these lines was introduced in the US senste IFFI of Japan-bashing to build interretional arguments and neet.

was introduced in the US sensets this month.

Stanley Gortikov, president of the Recording Industry Association of America, argues that there are few vested interests to oppose legislation. "Consumers have not invested any money in it, nor have retailers invested any money in it. So it's an ideal time to bring legislation to make a law to make antiqued in the US senset interesting international sympathy and posting the international sympathy and posting away with the television and low-end VCR market, Japan desperately needs a high-tech winner.

DAT's advantages include:

Small size. The DAT cassette is about half the size of an ordinary compact cassette, Made like a miniature VCR cassette, the case, it is more robust.

However, EEC officials seem

However, EEC officials seem reluctant to agree to the full demands of the industry. They cassettes, such a move would realise that a spoiler would be seen as anti-consumer and would undermine DAT's key Music, the biggest European the case, it is more robust.

Longer playing time. The fall full full full for cassettes will play for two hours, with no need to turn the cassette over: Each song will be coded, so when the listener pushes a button the

are holding two aces. One is the benefits which DAT has

needs to see DAT's attractions turned into sales

corders and compact discs. The second is the win to triumph over the new stronger yen which is cutting deeply into sales of older products, such as video cassette recorders, tele-visions and conventional audio products. While South Korea runs away with the television and low-end VCR market, Janen desperately needs a high-

audio market. Although early cassettes will play for only two hours, executives at JVC say that ultimately DAT will offer over both conventional tape resix hours of recorded music on one cassette. They expect to see DAT players introduced in Japanese cars by the end of

this year.
Japan desperately needs to see all these attractions trans-lated into sales. The country's exports of consumer electronics slid by nearly 25 per cent in the first nine months of 1986; television set output was down by 20 per cent and sudio equip-ment by 30 to 40 per cent. Operating profits for the elec-tronic industry in the April-June quarter last year fell by more than 60 per cent. The first company expected to launch DAT, AIWA, reported

a net loss for the year to Octo-ber of Y9.73bn (£42m), blaming the high yen and sluggish demand for audio products. AIWA says it will launch the new product next month, in time for the spring sales. Others, such as Toshiba, Sony, JVC and Matsushita are expected to follow soon.

Even the boom in CD sales

is not putting off the Japanese. Although market penetration of CD players remains relatively low, Mr Tatsuo Sawada, a

senior manager at JVC, points out that, at 10m, the output of CDs in Japan last year was close to the peak annual output of conventional tape recorders reached about a decade ago. He says the industry expects CD output to level off, leaving plenty of room for DAT. It is the compact disc which

is most at risk from DAT. Although the music industry insists that in the longer term the two could co-exist, it is worried about the immediate "The premature introduction of DAT machines on the consumer market could have the same impact on CD as the compact cassette had on the black disc in the 1970s," the IFPI's 1986 review warns.

CD sales only began to gather

momentum last year. More than half the CD players in use were acquired in 1986, according to figures from BIS Macintosh, a UK-based market

Macintosh, a UK-based market research organisation.

Despite recent growth, CDs remain a minority medium. Less than 5 per cent of homes in Europe and the US have them. Sales, inhibited by price, are still dwarfed by LPs and cassettes. But the industry believes that CD prices are set to fall and many are predicting a steady increase in CD penetration of all markets. tration of all markets.

Will that progress be imme

will mat progress be immediately reversed by the impact of DAT? Mr Jim Bottoms, an analyst with BIS Mackintosh, says: "It will be well into next year, at the earliest, before we know whether the smooth growth path of compact discs will be knocked off course by

Volume exports of DAT will take time to build up, even if, as is now generally expected, the first machines hit Europe executives in Japan say about 150,000 units will be produced in Japan this year, with about half going overseas. Equally important, the first DAT machines will be expensive—probably costing between Y170,000 and Y200,000 (£855).

Some observers believe DAT machines will stay more expen sive than CD players, but Mr Jan Timmer, president of Poly-Gram, disagrees: "I don't think that talking about a lasting price gap between compact discs and DAT is realistic."

And whereas Western manufacturers and retailers were notoriously alow off the mark with CDS, some are already alive to DAT's potential. JVC says more than 15 manufac-turers have said they would like to be involved with DAT and more than ten of these are European.
The odds are that the Japanese will win the DAT war,

and win handsomely. For their manufacturers are offering what promises to be a major advance for consumers: few Western politicians will want to go to the stake in such a battle.

Beyond the pall

for a rude shock when they come into work on Thursday,

May 7.

They will be picked out by their managers, separated from colleagues and herded into gloomy airtight cells, there to be kept in isolation from their co-workers until the day is done. When they travel home, they

will be spurned by taxi drivers and reprimanded as they step into the railway station. When they attempt to cash a cheque they will be shown the door by bankers, and even shopkeepers will treat them as pariahs.
If they should venture into a restaurant, they will be brusquely shoved towards a dark corner table. And if they go to see a movie, play or even

boxing match, these too will fail to lift their sorrows, For after May 7, they will endure the rasping tightness in their chests until the evening is completely over, with no hope of a remission during the interval in a theatre lobby or bar. May 7 is the date when the most wide-ranging anti-smoking regulations ever implemented in

the US will come into effect, following a vote a week ago by the New York state public health council. The regulations, described by the Tobacco Institute as "far and away the most punitive, extreme and absurd" restrictions on smokers' rights in the US, cover all indoor spaces other than private homes, bars and hotel rooms in the State of New York. In banks, shops, theatre and building lobbies, indoor stadia, stations and other public spaces, smoking is banned outright. In

restaurants, smokers must be segregated, with 70 per cent of seats reserved for non-smoking patrons unless it is specifically demonstrated that fewer non-smoking spaces will be "sufficient to meet customer demand." In the workplace, a smoke-free environment is mandated for all non-smoking employees and employers are subject to criminal penalties of up to 15 days' imprisonment if

they fail to provide one. And while the public health council contends that enforcement will be flexible—for instance that smokers will not have to be moved out of open-plan offices unless there are actual objections from nonactual objections from nondispute.

Tobacco industry executives have in the past condemned this principle as the "work of zealots—a fringe element bent on modifying Americans' be-haviour to conform to their own interpretation of utopia."



Before New York, there were
10 other states and dozens of
municipalities with similar if
less draconian anti-smoking
laws aircady on their books. smokers—it is determined to Others are almost bound to enshrine in law the principle follow as a result of last year's that "non-smokers will be finding in a National Academy favoured over smokers in any of Science study that passive moking may cause around 2,400 deaths a year. The tobacco industry has naturally disputed these studies, claiming for instance that it would take 24 days of uninter-

society, Camel's current slogan does have the ring of truth— "smoke Camel and begin a new

For employers themselves are putting the squeeze on smokers even in the absence of legal compulsions. A survey by the bureau of National Affairs last year found that 36 per cent of the 662 companies questioned—including IBM, General Motors, Bank of America, Aetna Life and Procter and Gamble—already had restrictions on smoking, while another 23 per cent were planning or considering such moves.

This may be partly true, but zealotry and regimentation have always sounded a discordant counterpoint against the rhetoric of liberty and in-dividualism in the American

From prohibition onwards, America has struggled in confusion whenever one man's freedom clashed against another's—allowing machine another's—allowing machine guns and explosive bullets to be sold by mail order, but forbid-ding sale of alcohol to anyone under 21; permitting 16-year-olds to drive cars almost without instruction, but setting speed limits of 55 miles an hour on superhighways "to save lives"; showing pornography on cable television, but turning a blind eye when abortion clinics

Amid such cross-currents of license and prohibition, restrictions on smoking seem likelier to be tightened than relaxed. They do at least appear to have a medical rationalisation. For tions on smoking seem likelier to be tightened than relaxed. They do at least appear to have a medical rationalisation. For evidence is mounting that even per cent 20 years ago—the fumes produced by other people's cigarettes—can sometimes kill.

Refere New York there were

rupted working in an average New York office to be exposed Anatole Kaletsky

A philosophy of education

From Mr D. A. A. Fagandini Sir,—I doubt if Joe Rogaly (February 11-12) is entirely correct in stating that we have no philosophy of education in this country. What we have is surely the remnant of a firm Victorian approach that has outlived its

We must bear in mind that Great Britain experienced the one and only Industrial Revolution and that this enormous step in wealth creation was achieved without any scientific input even though the country was justly famed for its science. The industrial leap forward was made by highly ingenious and individual craftsmen but the appalling conditions in which they and their labourers worked became abhorrent to those who being generated from such

It then became increasingly necessary to calm the conscience of those who could afford one, so the provision of education for the "lower orders" was conceived as a means of rescuing any talent in the academic arts there may have been at that level of society. The great museums were erected for a similar purpose and our recent arguments about entrance fees echo the concern of those earlier times.

At no point was education
ever related to industrial
activity, whether in matters of
science, technology, design or
working conditions. Indeed the very opposite was the case and the workforce itself felt no need for science where experience and practical knowledge had proved paramount. Very few took note of the efforts on the Continent to overcome our apparently impregnable position, based as it was on indigenous coal and iron-ore and an endless supply of brawn and craft. Almost no one noticed how, across the Channel, a scientific discipline such in the requirement for these skills is not self-evident to those who do not speak and practise them.

Letters to the Editor

which it was to be achieved. In losing sight of the purpose we missed the need for change until suddenly all became clear: we had been left far behind in the application of trained intellect to the all-important matters of wealth creation by manufacturing industry. Worse, our academic institutions had not secured the means by which they were to means by which they were to be sustained in their equally important endeavours. The clamour all around us is now deafening and no wonder; we know now that the world will not stand still while we change

As we argue our way towards
a fruitful understanding of the
relationship between the
"global market-place" and the
"rounded adult able to get the
most out of life" we should
bear in mind the historical
background of which the country can be proud. What we cantry can be proud. What we cannot be proud of is the way in which we are so often blinded by a clouded view of our past to the point of seriously jeopardising our future. D. A. A. Fagandini.

6 Alleyn Perk, Dulwich, SE21.

How not to teach maths

nel, a scientific discipline such as thermodynamics was developed and applied to the engineering of the internal and practising its applications services with UK gauge rolling tained over the log stock, and this is a terribly unattractive, inflexible sort of and practising its applications operation.

combustion engine, to quote but one example.

Down the years the original purpose of our educational philosophy has been virtually forgotten though we have yet to discard the machinery by which it was to be achieved.

In both of the purpose of th

Therefore, if Mr Griffith's tale (February 7) is complete and accurate, may I suggest that next time Mr de Havilland. that next time Mr de Haviliand tries a different approach. Invite boys and girls, their parents and teachers to his works at a mutually convenient time. Explain what a chuck is and how it is used. Demonstrate his cogwheel model and explain its importance. Then find out which boys or girls have any interest in pursuing an appropriate course of study and developing the skills required: encourage them, their parents and teachers. Develop closer association with his local schools to find out why they do not supply trained appren-

do not supply trained appren-Graham S. Dove. 8 Donnington Grove, Swindon, Wilts.

> Loading gauges and the tunnel

From Mr David Layton.
Sir, — I'm really tired of problems of personalities about the railway tunnel. That's not the central issue,

Underlying all the optimism there is a horrible problem. There's no getting round the unavoidable barrier of the different loading gauges in the UK and on the Continent. This means there can be no

free running of continental stock in the UK. There's not going to ing?) do not understand that in the UK. There's not going to the requirement for these skills is not self-evident to those who do not speak and practise them.

I support Michael Dixon (Interest and Support Michael Dixon (Interest)) the source that

The problems are all on the UK side and there are just not going to be through services of Obviously, there will be a shuttle service from Waterloo

to Brussels and Amsterdam or David Layton.

151 Great Portland Street W1, Redundancy benefit

From Mr J. E. Bayley
Sir,—Brown and Levin's proposal (February 11) of a new
redundancy benefit (NRB) has
some initial attraction as a
means of keeping pay rises
within inflation and of reducing unemployment.

It is, however, an extremely dangerous proposal which if im-plemented would severely harm the country. The proposal is based on two ill-founded pre-

1—Everyone in a particular employee group should get the same per cent pay rise and this should be less than the retail price index (as an inflation measure).
If this happened it would

promote mediocrity. How would you reward merit? How would you reward particular achieve

2—By keeping pay rises down we minimise unemployment. Surely the way ahead is to create employment by improv create employment by improv-ing business efficiency and achieving volume growth profit-ably. All the evidence shows that this happens when your reward excellence, when your motto is "Fewer better paid people." This approach creates real jobs.

The Brown and Levin alter-native will retain more mediocre low-paid jobs in the short term but such mediocrity cannot and should not be sustained over the longer term.

Time to end curbs on trade with a friendly China

Sir. - The reference in your 11) to the out-manoeuvring of European industry by betterprepared US competitors who moved into the China market is well taken. foreign policy and her alignment on international issues in recent years.

Paul Channon in his statement on the Cocom embargo (on strategic exports) of June 1985 referred in several places to the Soviet Union and its allies to whom these restrictions should apply. The Government by some anachronistic perception continues to treat China

In the view of the 48 Group of British traders with China, this attitude fails to acknowledge the changes in China's foreign policy and her alignment of the change in the

The Hong Kong accord and the state visit of the Queen surely attest to the fact that today China is a country friendly to Britain and in logic and good faith should be so treated in Sino-British trade

relations. Caspar Weinberger, US De-

secure, modernising and friendly China — with an indepeople, and China's friendship,

Following the Weinberger Britain.
statement the Americans signed Roland Berger.
a contract with China for adas falling within this category | fence Secretary, in a lecture vanced radar and other elec- 84-86, Rosebery Ave, ECL

From the 4S Group of traders and therefore subject to Cocom given at the National Defence tronic equipment worth \$550m unith China (October Sir. — The reference in your In the view of the 48 Group 1986) stated: "We believe a fighters.

In the view of the 48 Group, friendly China — with an inde-pendent foreign policy and de-veloping economic system — is time has come to stop trying an essential part of inter- to bend and adjust the Cocom national security. China's ensuing economic growth, enrichment of the lives of the Chinese instead to remove China entirely from the list of countries respect and concern for its covered by the "security export neighbours contribute to the peace and strength of the enwith other countries friendly to

"Which computer company keeps British industry flying high?" Zenith Data Systems desktop and portable PCs, terminals and monitors are certainly preferred by many of today's high-flyers in British industry, commerce and government. Stand 919 And over 150 British universities and colleges, including Oxford, Cambridge and the Open University, depend on Zenith's unique "Computers in Education" programme. Now, Zenith products are more widely available through a nationwide network of authorised computer dealers and systems houses. Before you take off on the wrong course — talk to Zenith! For a colour broadsheet, post the coupon or call 0800 444124 The world's leading manufacturer of PC compatibles 'the quiet giant'

FINANCIALTIMES

Monday February 16 1987



Roderick Oram on Wall Street

Spotlight on the Fed watchers

FEIGNING INJURY, a senior official of the Federal Reserve limped into a meeting with primary bond dealers. He said he was suffering from a knee-jerk reaction to mone tary data, an affliction diagnosed by a dealer's Fed watcher in his widely read weekly commentary on the

In typically enigmatic style, the official was saying something, but what? Was he ridiculing or confirming the watcher's judgment? Was it just a joke or had his pride been hurt by the suggestion that the Fed had sacrificed its intellectual and political independence by becoming a slave to doctrinaire monetarism?

Such are the challenges facing Fed watchers as they try to inter pret for financial markets the central bank's often sphinx-like manip ulation of short-term interest rates and other economic controls.

Anybody trading any security or managing any financial asset has to lock on to Fed policy," says Mr David Jones, chief economist of Aubrey G. Lanston, a leading governmen

Until last week, the Fed watchers had had a relatively easy 4% years. The Fed has been pursuing a gen-erously accommodating credit poli-cy since shortly after the barbed knee-jerk joke. Stock and bond markets have boomed as interes rates have fallen.

But when the interest rate on Fed funds - the reserves that banks lend to each other - suddenly rose last week contrary to all expects tions, Fed watchers were once again in great demand to explain what was going on. Market players asked anxiously if the Fed was tightening its credit policy to counter the inflationary effect of the dollar's depreciation. Fear mounted when the Fed took no action to

stem the rise. Markets suffered an immediate and costly reaction to the higher interest rates. Bond prices fell, adding to the losses of those bond dealers left with large inventories after the recent Treasury auction The stock market rally paused.

Essentially, the watchers had to decide whether the higher rates were due to policy, some phenomenon in the financial system or market psychology - or a combina-tion of all three. There was no point in asking the Fed. Although its actions in the markets are fully open, it maintains strict secrecy about why it takes them. Watchers say it believes a sudden and explicit change in policy would cause an over-reaction in the markets. Moreover, a running commentary could lessen the Fed's credibility because markets do not always behave in a way a central bank understands or

can control. Instead, Fed watchers have to turn themselves into mini-Feds. they collect copious financial system data released by the Fed and try to interpret it in the way that the central bankers do. Perhaps 90 per cent of the watchers worked for the Fed before they were hired for their insights by banks, securities dealers, money market consultants and other organisations crucially

and other organisations crucially affected by Fed policy.

A broader sweep of information including general policy goals comes, for example, from heavily edited and delayed minutes of policy marking Fed committees are professions. cymaking Fed committee meetings the Fed chairman's semi-annua testimony to Congress and the Fed governor's speeches and interviews. But this public information adds up to no more than a flight plan. Market players depend on Fed watchers to tell them how the Fed is manipu lating the controls on a day by day basis as it tries to "fly" the economy according to the plan, or more crucially, if changing conditions force the Fed to take an unannounced new direction.

Rather than analyse the last move by the Fed, the watchers ideally have to anticipate the next.

A small change in interest rates may not be significant to the Fed but it could be costly to investors and traders if they are not pre-

One of the watchers' hardes tasks is to filter out the signals from the noise. The Fed takes the vast majority of its actions for technical rather than policy reasons.

When the Fed made its weekly when the Fed made its weekly release of data last Thursday, the watchers gained a little more fragmentary and inconclusive evidence about the Fed funds rise. Although general opinion backed away from an outright policy change for now, the issue was far from resolved. Analysts were left wondering if the rise was due solely to some temporary quirk in the system or whether the Fed had decided to accept a slightly higher level of interest rates for reasons yet to be revealed.

The flap over Fed funds signalled the end of a relatively easy economic management period for the Fed. The more complex choices it now faces about growth, inflation and the dollar have put Fed watchers back in the limelight. release of data last Thursday, the

back in the limelight.

Soaring prices threaten Brazil's Cruzado plan

rose to 16.82 per cent in January, substantially higher than had been hoped by Government officials, it

The accelerating rise in prices is fuelling speculation that drastic ac-tion will be taken to adjust the

The Government of President Jose Sarney has been attempting for some weeks to win support from the main political party, the Brazilian Democratic Movement (PMDB), for a new economic strategy. This would replace the Cruzado plan which 12 months ago attempted to de-index the economy and freeze prices in the battle against infla-

The plan has all but disappeared in recent weeks because the Gov-ernment has been forced to autho-

BRAZIL'S monthly inflation rate rise price rises under pressure from creasing alarm within Brazil and

Evidence of rising inflation throughout the economy has in-creased since January with interest rates in short-term lending nearing an annualised 1,000 per cent at one

Officials had anticipated a Janua ry inflation of about 12 per cent. If the current trend continues 1987 year-end inflation would touch 550

The deterioration in the economy and a decline in Brazil's balance of trade surpluses has led to a serious reduction in foreign exchange re-

By the end of October reserves had fallen about \$2bn to slightly more than \$5bn in the period from January 1986.

widespread reports that the country may be forced to delay or even temporarily suspend some payments due on its \$104bn foreign debt.

Yesterday the Rio de Janeiro newspaper O Globo reported that President Sarney had decided that part of the debt repayments now due would have to be suspended to maintain reserves.

However, a senior Governmen official connected to the President's executive office described the report as "mere speculation." The President is increasingly un

der pressure from the PMDB and more left-wing parties to take the road towards a partial moratorium. Although officials and some ministers are reluctant to follow this route it is clear that such a proposal would increase support for the Gov-ernment among the electorate.

UK proposal on wages faces challenge from employers body

BY DAYID BRINDLE IN LONDON

THE CONFEDERATION of British Industry - the employers' organisation - is expected to challenge the UK Government's case for the abolition of national pay bargaining.

It is thought to have strong reser-ations about the direction which the Government is taking and to be-lieve that a national pay bargaining framework is imperative for many of its employer members.

Mr Kenneth Clark, Paymaster General and Employment Minister, last week made an outspoken attack on employers who observed national bargaining, an annual pay round, a going rate, pay comparabil-ity and job evaluation.

ity and job evaluation.

His remarks were welcomed by the Institute of Directors almost evidence that the level of pay settle-without qualification. Sir John Hosmants has stopped falling and may kyns, director general, said Mr even be rising again, the CBI paper Clark's call for pay to be deter-is expected to defend those compa-mined at a local level, according to nies which have awarded wage and

merit and performance, was a "breath of fresh air."

The CBI's response was notably more muted. It has conducted research among its members, to be published soon, which is expected to question seriously the Govern-

Its reservations are not likely to be made public before the research is complete but there may, in the antime, be a clash at a meeting on March 4 of the National Economic Development Council, to be chaired by Mrs Margaret Thatcher, the British Prime Minister.

The CBI is due to table at the meeting a separate paper on broad-

salary increases in excess of figures which Ministers think appropriate. The CBI's research on nationa

bargaining is an update of a survey it carried out in 1979-80. Although the fresh data is still being analysed, it is thought it will show clearly that national bargaining structures offer scope for local var-

case against national bargaining is the contention that national agreements are too rigid to allow employers to pay workers according to local labour market conditions.

The CBI believes most bigger employers do adapt national agree-ments to suit local conditions. It also feels that smaller companies need national agreements as a reference point in a labour market where pay and conditions would otherwise be haphazardly deter

US breakthrough for Siemens

SIEMENS, the West German elec-tronics company has overcome op-Northern Telecom of Canada, tronics company has overcome op-position from the US telecommunications authorities to win its first in the market over the last decade.

The deal, with Ameritech of Chicontract, however, is the fact that it gives the West German company a strong lead in the struggle by for-eign suppliers to win a slice of the \$4bn a year American switching company selling to the regional

At present, the seven regional US telephone companies buy their large central switches either from American Telephone and Telegraph

BY PAUL BETTS IN PARIS

the first time on a contract to de-

sign a 600MW nuclear reactor for

nationalised Compagnie Générale d'Electricité (GGE) group, to co-op-erate with Kraftwerke Union

environment for nuclear exports

which has prompted the two former

rivals to join forces on the Indone-

\$ 27 81

The decision by Framatome, the laboration in the future. Indonesia took the in

World Weather

which is 40 per cent owned by the asking the French and West Ger-

(KWU), the nuclear power subsid-iary of Siemens, reflects the in-indonesian authorities seem to creasingly depressed and difficult have felt that they would secure

which has won a significant place against US products. This move was prompted by a

donesian project, French industry more suitable for a number of de

Franco-German project.

Although Framatome has already made studies for the costruction of ation has been less alarming for the

order for a large public exchange switch from one of the seven Amer-ican regional telephone operating for other foreign manufacturers as well as Northern Telecom. Among Siemens' rivals from overseas are cago, is believed to be worth about Ericsson of Sweden; NEC, the Japa-\$12m, or the equivalent of a medium-sized exchange using the new generation of digital technology.

More important than the size of the in the US through its Stromberg Carlson subsidiary. Siemens has won the Ameritech

contract in the face of threats by groups. Only a few weeks ago, the Federal Communications Commission (FCC), the regulatory body for the US telephone system, proposed new guidelines which would allow it—said.

THE FRENCH and West German phasised yesterday that the co-op-have so far been built. The nuclear nuclear plant manufacturing indusers tries have decided to cooperate for KWU was limited to the specific Inthat these smaller plants would be

officials did not rule out the possib-

ility that it could lead to further col-

Indonesia took the initiative in

man nuclear plant manufacturers

to co-operate on a feasibility study for a 600MW nuclear power plant,

have felt that they would secure

better credit facilities from a joint

Franco-German project.

sian project.

Although the two companies em
and studies for the costruction of smaller 600MW power plants, none

French group.

to block the sales of companies

row over apparent restrictions imposed on AT&T in the European he was badly wrong-footed on his market, where Siemens has been bidding against the US company to ment. take over CGCT in France. No decision has yet been made on the attacked Fianna Fail on the agree-FCC's initiative, which has to go through a long discussion procedure. But it is possible that the Siemens order could be affected by the as a decisive issue, it is popular in the past week. Although it is unlikely to overtake unemployment and the economic depression as a decisive issue, it is popular in the past week. Although it FCC's action because the equip-ment is only due to be delivered lat-ponents have said his statements

or this year and in 1988. In the meantime Ameritach fully supports Siemens's efforts in the US. "We would not like to see our ability to pick the suitable vendor for equipment which we need cur-tailed in any way," the company

veloping countries or smaller Euro-

One major uncertainty is the cost

of designing and constructing these

plants and whether they would be

competitive with alternative coal-

Nonetheless, the European indus-

try has been looking at new alterna-tives like these smaller plants to re-

vive export orders. Both KWU and

pean countries.

fired power plants.

Dissident

released

Continued from Page 1

reversing the favourable impre-

sions gained by earlier releases of

dissidents, including Mr Andrei Sa-kharov, the Soviet scientist.

Mr Arbatov did not say in his in-

terview on the CBS' Face the Na-

tion programme whether Mr Begun

has signed a pledge renouncing dis-

sident activity in future. However, Mr Arbatov said that

Mr Begun's release would have come sooner had it not been for the

demonstrations in Moscow. This

Growing support for new Irish party, Page 2

By lan Hodger in Tokyo

THE JAPANESE Government is threatening to take action under the General Agreement on Tariffs and Trade (Gatt) if the European Community implements a proposal to impose anti-dumping duties on

Officials of Japan's Ministry of nents for factories owned by others.

cause the Commission's final draft proposals had not yet been published. Also, the proposals would Suggests that the Kremlin - or Mr of Ministers, probably at a meeting Gorbachev - was concerned not to next month. Miti officials were appear to be giving in to pressure. looking forward to expressing their Mr Begun has been sentenced views to Mr Heinrich von Moltke, three times during his 16 years of campaigning to emigrate to Israel.

Irish poll poised for close result

By Hugh Carnegy in Dubiln

DR GARRET FTTZGERALD, the Irish Prime Minister, made his first public attempt to woo the new Pro-gressive Democrats into government partnership with his fine Gael party at the weekend as opin-ion polls indicated a close result in tomorrow's general election.

A poll in a Sunday Newspaper showed support for Mr Charles Haughey's Fianna Fail party slipping to 45 per cent, only two points ahead of the combined total of Fine Gael, with 30 per cent, and the Progressive Democrats, with 13 per cent. The outgoing coalition part-

ner, Labour, had 5 per cent. The poll, raised doubts over Flan-na Fail's ability to win the outright parliamentary majority it is seeking. All polls during the campaign
have shown a trend of gradually
sliding support for Fianna Fail.
Dr FitzGerald said he did not be-

lieve Mr Haughey could now win a majority. He called on Fine Gael voters to give their second preference votes under Ireland's proportional representation system to the Proressive Democrats whose cost-cuting economic programme is broadly similar to his own. He described the new party, formed just 14

months ago, as a potential support-er of Fine Gael in government. Mr Desmond O'Malley, the former Fianna Fail minister who leads the Progressive Democrats, re-sponded coolly. At a rousing, American-style closing election rally, he said the country wanted new lead-

rship. "There have been no deals or prelection alliances and there will be none," he said. However, his recom mendation that PD voters should give their transfers to candidates with policies closest to their own seemed to point in Fine Gael's direction.

The latest polls, which show that about 15 per cent of the electorate is still undecided, have introduced an air of uncertainty into the election. However, most commentators still expect Mr Haughey to hold off the potential Fine Gasi-Progressive Democrat challenge chiefly because so much of the PD's support has come from Fine Gael voters distilusioned by Dr FitzGerald's failures

Nevertheless, Mr Haughey has been put on the defensive by events from countries which discriminate of the past few days. Yesterday's poll showed that most voters felt he had lost a television debate with Dr

> Fine Gael and Mr O'Malley have ponents have said his statements that he wants to change essential elements of it threaten its future. At his closing press conference, Mr Haughey cut off questioning about the accord saying unemployment was the real issue of concern.

France and Germany in N-plant deal Japan warns **EEC** over dumping duties

The European Commission has proposed that duties be applied on components, claiming that some Japanese companies are setting up factories to assemble components merely to avoid having to pay dumping duties on finished prod-

(Miti) said yesterday that they thought the Commission's plan was contrary to Gatt rules in two respects. First, it would impose duties without an investigation having taken place into whether or not the components were dumped. And sec-ond, it would be discriminatory, imposing penalties on imports of com-ponents for Japanese owned factories in the EEC, but not on compo-

Miti officials emphasised, bowever, that it was difficult for them to take any action at the moment, behave to be approved by the Council

THE LEX COLUMN

Cutting out the middle man

When history repeats itself, said Karl Marx, it is farce. What word he would have applied to an event which recurs several times is not known. A chronicler of British capitalism in a later century might well need such a word to describe the tireless struggle of the Government and its advisers to find a way of selling companies to the private sector without embarrassment. When the offer of shares in Amersham International encountered massive oversubscription, and the shares opened at a premium of over 30 per cent it could have been put down to inexperience at the start of the process. But it is little short of bizarre that almost five years to the day later exactly the same thing should happen in the offer for sale of British Airways.

If the present Government is re-elected there will be a second wave of privatisations. These are most likely to include part or all of the electricity supply industry, which is the proud maintainer of assets with a replacement value of £37bn about twice the value of British Gas's collection of pipes and drums. With such assets being prepared for sale, the Government should now review the mechanics of salling

There may well be votes to be gained in selling cut-price shares to votes to be lost in being seen to hand the City of London a large slice of such bargains profits at the expense of "the people" - on whose behalf the shares have been sold in

Divergence

This dilemma is the political consequence of the apparently diver-gent main aims of the Government n its offers for sale. These are to maximise the proceeds for the public purse while at the same time encouraging the widest possible share ownership. Although this appears to be a hopelessly conflicting set of objectives, there is a sense in which the Government's drive for popular ownership arose precisely as the means to ensure that proceeds were meximised. It was only during the British Telecom campaign that the emerged. Until then privatisation was advocated in terms of the pri-mary objective; to subject badly run businesses to the disciplines of pri-

being asked to out more money into one issue than their normal net annual purchases of all equities. So the public was - and still is needed to create an illusion of scarcity in the fund-managers' mind.

Potential

But the most effective way to increase the market for such shares, sary to see the valuation of 200 for sale, it has never made available

The result, in the case of British Gas, was that the UK institutions made a guick turn in selling on high yielding shares to US investors who value gas utilities more highly. The arbitrary 20 per cent figure stams from the 1977 sale of BP shares by the last Labour Government, which step one inch over the threshold established by Mr Denis Healey.

There is another less politically exposed way in which the Government can better establish a proper market price for its shares. That is vate capital. But with British Telec-might be worth. Naturally the funds for the price, what are marketom the financial institutions were name the lowest sum that does not makers for?

beggar belief, and frequently they get away with it. Of course the Government is not the only vendor to have fallen victim to this informal

cartel.
If is is decided that it would offend too many vested interests to break apart the ancient British art of share offerings – fixed-rate sub-underwriting and all – and that tender offers are too complicated for the public to understand, there are still simple ways to minimise the cash left on the table.

Efficiency

The most efficient of the Government disposals have been the secondary offerings, in which the stock has been sold at a small discount to an established market price. British Telecom may have been badly un-derpriced, but at least the Government can skim the pool if it is around to sell the remaining 49 per cent. No such luck with British Air-

ways.

There is a strong case for doing and thus to swing the balance of as the Japanese Government has supply and demand more in the done with NTT, and sell only 10 per vendor's favour, is to tap the larger cent in the first instance, to minioverseas markets. It is not neces- mise the losses involved in misjudging the market. The objection that times earnings put by the Japanese this would not permit the sale of the market on the new shares in NIT assets immediately to be offset to realise the potential. Yet in all against the PSBR is in a way no the Thatcher Government's offers more than a question of semantics. A sale of British Leyland is apparmore than 20 per cent of an issue to coverseas investors.

The result, in the case of British cent of its equity is held in private

State corporations are not owned by the Government of the day. It merely exercises a degree of control on behalf of the true beneficial owners - the people. That is why there is a particular obligation to placed a fifth of that offering in the maximise proceeds. This onus can US. It is at least odd that the pres- probably best be combined with the giving the assets to the people, direct. In the case of the Electricity industry there is virtually an identity between the customer - who has funded the business - and the householder. So such a method of to attempt the kind of red herring distribution would be particularly method used in the US for offers for apposite. And the sheer size of the sale, in which syndicates are re-business for once means that the inquired to make firm bids of volumes dividual allocations would not be – something of the order of mitments in the offer proper. The £500 per household, by the time all method as practised in the UK in-volves selected institutions being public could of course sell their asked what they think the shares shares whenever they wanted. As



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SECTION II - COMPANIES AND MARKETS FINANCIAL TIMES

Monday February 16 1987



INTERNATIONAL BONDS

Strong demand for convertible Eurosterling deals

breeds on excess, one new issue manager said wearily on Friday. Certainly, last week's volume, eight deals totalling £555m, looked a bit high for a fragile market, writes

Clare Pearson in London.
Luckily for the co-managers, £315m worth of the deals comprised equity-linked issues and the gains on these could at least partially make up for the sorry trading performance of most of the fixed-rate

panies are highly sought at the movestor can hardly lose, ment, underpinned by strong dement, underpinned by strong de-mand from Continental investors shares do not perform, he has purwho do not seem to differentiate chased a shorter-dated bond (most

True, glamorous names such as able to that of a gilt. Next, which came to the market

The attractions of the feature
last autumn, meet the most enthusiastic reception, but last week's issues for less well-known companies

The attractions of the feature
though the underlying shares fell long-term funds, since operation of the put will mean that it has only
the put will mean that it has only
The put option does have a draw-

THE EUROSTERLING market were trading comfortably at prices just above par.

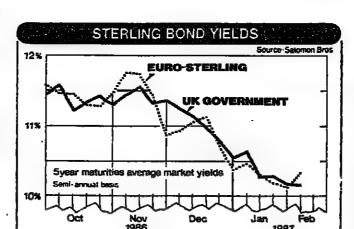
Although there was little to mance of the convertibles that were launched last week, dealers said investors were generally more in fayour of the issue that included a put option - that for Asda-MFI - than of those that did not.

The inclusion of the put option transforms the nature of the convertible from virtual deferred equity into a fixed rate bond with an eq-Equity-linked bonds for UK com- uity play, which means that the in-

strongly between individual bor- put options come into operation after five years) with a yield compar-

siastic reception, but last week's issues for less well-known companies
like Asda-MFI and W. H. Smith

ing performance of a recent conversion of the put with t



state of the convertible sector, the fixed rate Eurosterling primary market was looking shell-shocked from the weight of new paper last week, and the overhang was beginning to put the secondary market in

a defensive mood as well. The problem was that most of the deals were ambitiously priced, while the gilt market, after being very strong at the start of the week, failed to provide the necessary sup-

port as it progressed. The issue that fared worst seemed to be a £40m five-year issue for the Alliance & Leicester building society. But all were quoted at levels well outside their fees on Friday, with the exception of the issue for McDonalds, which was held above water by virtue of its popular-

ity with European investors. The Eurodollar market traded nervously all week, although it re-

In sharp contrast to the buoyant late rally.

Longer dated issues were meet ing virtually no demand last week, with the exception of the \$100m 10year issue for Norges Kommunal-bank launched on Friday. The main casualties seemed to be a \$100m 10year issue for Eurofima and a \$150m 10-year bond for Cargill.

In the D-Mark market, which became heavily overloaded with paper last week, longer-dated bonds were out of favour as well. Of the three trenches of a DM 700m deal for Austria, for instance, the six-year piece was quoted at a discount of 1% points to issue price on Friday, the 10-year tranche at a discount of 2% points, and the 15-year tranche at a discount of 3½ points.

Nevertheless, dealers said the market was still in fundamentally good shape, sustained by domestic investors reluctant to take profits while the currency environment covered slightly on Friday after the was still so uncertain and by specu-

US Treasury bond market staged a lative foreign interest.

tile reaction was to be expected." and Bungener families are list. He said the success of the issue among owners of E. Gutzwiller.

Ciba-Geigy protests over US bond issue

CIBA-GEIGY, the Swiss pharma-ceutical group, protested strongly over the weekend against the use of shares, whether directly or through its shares in a covered warrant the exercise of options, but no such bond, new in the Swiss securities restrictions apply to bearer shares. market, launched by ICN Pharma-ceuticals of California, Reuter re-by Gutzwiller that it would have market, launched by ICN Pharmaports from Basle.

were against its own and its share-holders' interests. It said it had not where it was obtaining the shares. been consulted over the bond either by ICN or by the bond's two lead managers, Fintrelex and E. Gutz-

The two lead managers announced on Friday that they were launching a SFr 6m (\$3.9m) 10-year "double convertible" bond. Holders can choose to convert it into shares of ICN Pharmaceuticals or into

bearer shares of Ciba-Geigy. Ciba-Geigy said it had found out about the deal from the press and had demanded an explanation from Gutawiller.

A Gutzwiller executive said: "I am not particularly surprised by the Ciba-Geigy statement. The hos-

Many Swiss companies are per- Bank Leu of Zurich.

around 15,000 Ciba-Geigy bearer The Swiss company said that the shares with a current value of SFr ICN bonds, which holders can con- 47m on deposit with it by the end of vert into Ciba-Geigy bearer shares, March to cover the conversion of

> ICN, which has attracted attention recently after reporting promising developments in the treat-ment of acquired immune deficiency syndrome (Aids), has issued several Swiss franc bonds in recent years through Banque Gutzwiller, Kurz, Bungener of Geneva.

Executives there deny any legal links between the bank and the two lead-managers, although Mr Jean-François Kurz, part-owner of the bank, is chairman of Fintrelex, the finance company recently set up with an address in Trelex in the canton of Geneva.

Members of both the Gutzwiller and Bungener families are listed would not be hurt by Ciba-Geigy's Banque Gutzwiller, Kurz, Bung-

ener is itself 95 per cent owned by

EUROCREDITS

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British building societies rush to borrow foreign currencies

BRITISH building societies are Building Societies Commission moving swiftly to take advantage of the interest of the societies are building Societies Commission moving swiftly to take advantage of the societies are building Societies Commission moving swiftly to take advantage of the societies are building Societies Commission moving swiftly to take advantage of the societies are building Societies Commission moving swiftly to take advantage of the societies are building Societies Commission moving swiftly to take advantage of the societies are building Societies Commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies commission moving swiftly to take advantage of the societies are swiftly advantage of the swiftl recent liberalisation allowing them which the borrower will seek bids confirmed, but are understood to to borrow in foreign correncies, through a tender panel. The Halifax represent a substantial improveto borrow in foreign correncies, through a tender panel. The name to borrow in foreign correncies, writes Alexander Nicoll in London.

Marks, Swiss francs, European curnated Eurobonds - the Halifax, Ab-bey National and Woolwich - and on Friday the Halifax announced a so has an option to issue dollar CDs 12.5 basis points for the first two on Friday the Halifax announced a so has an option to issue dollar CDs 2300m facility allowing it to issue under a sterling CD programme years and 25 basis points thereafter. The final loan of 1985 began at advantage of it.

12.0 pass points for the life two years and 25 basis points thereafter. The final loan of 1985 began at advantage of it.

12.0 pass points for the life two years and 25 basis points thereafter. The final loan of 1985 began at 25 basis points and went to 37.5 after the definition of the life two years and 25 basis points thereafter. The final loan of 1985 began at 25 basis points and went to 37.5 after the definition of the life two years and 25 basis points thereafter the points for the life two years and 25 basis points thereafter the logical points are the logical points and went to 37.5 after the logical points and went to 37.5 after

Chemical Bank International and Butler Securities have been Bank is tapping the markets for its awarded the mandate for the deal, first syndicated loan since 1985. The in which they are providing a pack- new loan is sizeable at Y40bn and age including the related currency looks almost certain to be spread swaps. Societies borrowing in for-entirely among Japanese banks. eign currencies are required imme- Bank of Tokyo International and diately to hedge the currency expo- Dai-Ichi Kangyo Bank are the lead

The Chemical/Butler structure has been approved by the UK Euroyan loans ever arranged, it

It is an uncommitted facility in The terms could not be officially

The Bulgarian Foreign Trans managers.

Although it is one of the largest

ment for the borrower by comparison with 1985. The maturity is se-

The deal was believed to be meeting an enthusiastic response GM Hughes Electronics Corporation, a wholly-owned subsidiary of General Motors, is making its first venture into the Euromarkets with a \$250m standby revolving credit mandated to Bank of America International.

The five-year credit, which in-

first three years and 6.25 basis points, with a utilisation fee of 5 basis points if more than a third of the total is drawn and of 10 basis points above two-thirds. Front-end fees range up to 5 basis points for com-

ter four years. of the year has been demonstrated by the response to a \$30m loan for Finland's Amer Group, which has been more than three times subscribed and is likely to be increased

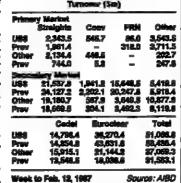
terms. Many banks have still to re- paper programme.

chudes a swingline option, carries a spond to invitations to replace those facility fee of 5 basis points for the which have dropped out and the which have dropped out and the crunch will come at Friday's dead-

> Among paper programmes, FAI Insurances, the Australian company which has taken a stake in UK merchant bank Hill Samuel, is increasing its sterling commercial pa-per programme, on which Samuel Montagu is dealer, from £50m to

Rabobank Nederland appointed Morgan Grenfell as dealer on a £150m sterlingg CD programme.

Petroleum Corporation of New Zealand, the state oil concern, is ar-Another deal being handled by ranging a \$150m committed multi-Citicorp, however, remains uncomoption facility led by S.G. Warburg pleted: the SIbn credit for Electicite and Bank of New Zealand and will de France on renegotiated finer also have a \$200m Eurocommercial



SUROMARKET TURNOVER

SKF, the Swedish ball bearing group, has mandated Warburg for a £75m uncommitted acceptance fa-

Schlumberger plunges into deficit of \$2bn

olifield services and electronics \$1.46bn in the cilfield services oper-company, lost \$2.02bn or \$7.02 a ations, \$130m relating to measure-share after tax last year, following ment and control businesses, and a a profit of \$351m or \$1.17 in 1985, \$150m allowance for potential inter-Our New York staff write.

Last year's losses had been foreheavy one-time write-offs in Schlumberger's core oilfield and Fujitsu of Japan.

In total, the non-recurring ary 1, 1987 and the projected closing charges against 1988 net income date of the sale.

SCHLUMBERGER, the large US amounted to \$1.74bn. This included est payments relating to pending litigation between the company and

shadowed by the announcement of the Internal Revenue Service. Schlumberger lost a total of \$363m on Fairchild Semiconductor in 1986. This included a \$146m opwarnings about continuing large in 1986. This included a \$140m op-losses at Fairchild Semiconductor—eating loss, a \$200m write down reiosses at Fairtning Semidinateur a business which is being sold to guiting from the pending sale to Fu-Fulture of Japan. mated further losses between Janu-

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New Issue / February, 1987



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UK GILTS

Index-linked sector grabs the limelight

THE INDEX-LINKED sector of inflation will average 34 per cent the UK Government bond in the final quarter of this year. market grabbed the limelight
market grabbed the limelight
last week, partly in response to
a series of UK economic figures
which seemed to sound an early
warning signal about inflaunder 5 per cent by the fourth pressures in the

Over the course of the week, latest data for producer and life under a Labour retail prices and average earnings, long-dated index-linked victory in the election.

Index-linked stocks meaning the stocks of the stocks of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and life under a Labour ment. It assumes a Constitution of the latest data for producer and lates which saw the release of the

So strong was sentiment that the Bank of England's announcement on Friday of a tender of £400m of index-linked 2 per cent 1992 did little to demand the sector. 2 per cent 1992 did little to dent partly on the back of recent price gains. price gains.

Even excluding demand for index-linked gitts on the strength of worsening inflation expectations and the cheapness of the sector in comparison to equities, there should be some ready-made demand for this issue because of the redemption

on February 24 of the 21 per cent Exchequer 1987 stock. There has already been a lot of activity in the short, low-coupon area revolving around

coupon area revolving around this redemption as investors rolled over their heldings into comparable stocks and this must form part of the Bank of England's thinking.

Although there were some reservations about how bad the figures really were, index-linked gilts first gained support from Monday's data showing sizeable increases in manufacturing inincreases in manufacturing in-dustries' costs and prices last

This was followed by Thursday's surprising news that the underlying pace of average earnings growth had edged up to 71 per cent. Not only that, but November's figure was revised up as well, making it more difficult to average that the latest difficult to argue that the latest figures just represent an up-

ward blip.

The gilt market found this one particularly depressing after the raily at the tail-end of last year partly on the strength of the Confederation of British Industry's sanguine

report on wage settlements. Friday's news of a rise in the annual rate of retail price inflation to 3.9 per cent in January came as no surprise in itself but still nicely rounded off a week of poor news for the Government on inflation.
A consensus view is now emerging which seriously questions the Chancellor's view that

quarter. And this view is not based on

rate cut around Budget time.
This sector now looks constrained, particularly in view of last week's data which strongly reinforces a very cautious approach on lowering interest

As for long-dated issues, they probably already take into account most of the good news likely to come out of the Budget and have still not managed to break the 10 per cent yield level

Given the relative proximity of the Budget, it seems unlikely that anybody will stick their necks out much further at this stage and gilt market traders are expecting a rather boring period of narrow range trading—unless of course the Group of Five actually does come up with an agreement on currencies and the foreign exchange market the foreign exchange market produces some fireworks.

As for events nearer home, this week is dominated by the release of UK economic data. Particularly watched are likely to be tomorrow's January Public Sector Borrowing Requirement and Thursday's January money supply figures. The market has to some extent discounted good figures in both cases.

cases.

Everyone now seems agreed that the PSBR will undershoot and January's figures should confirm that view with a substantial net repayment of perhaps £2.5bn to £3.5bn.

Narrow money MO is expected to have fallen back substantially, giving an annual growth rate of somewhere under 4 per cent. Will that be enough to start talk off again of a base rate cut so soon after those inflation figures?

Janet Bush

US MONEY AND CREDIT

Hopes fade of lower interest rates

Reserve may have been quietly tightening monetary policy in a bid to stem the slide in the value of the dollar and cool the rapid expansion of the

money supply.

The prices of long-term government bonds fell by close to two points early last week fol-And this view is not based on the usual pessimism within the community of economists about life under a Labour Government. It assumes a Conservative victory in the election.

Index-linked stocks may also be benefiting from the impasse which seems to have been thighest level in over three months.

months.
The yield on six-month
Treasury bills has risen by over
30 basis points over the last
month and at 5.67 per cent is
some 60 basis points above last
year's low point.
Salomon Brothers notes in its

latest "Comments on Credit" that the Fed's failure to add reserves last week when the Fed funds rate pushed above 8 per cent prompted a sharp rise in short-term rates. Much of that was given back, when re-serve data revealed extraordinarily large excess reserves and a surprisingly low level of

and a surprisingly low level or discount window borrowing in the latest period.

"Market uncertainty now centres on which provides a more accurate reading of the Fed's stance—the high finally research." rate or the generous reserve conditions," says Salomon which believes that the Fed's passive acceptance of a higher funds rate since November turned to more active support" in recent weeks suggest-ing that the prevailing funds rate will remain near 61 per

The confusion about monetary policy may be cleared later this week after Mr Volcker, the chairman of the Federal Reserve, gives his semi-annual "Humphrey-Hawkins" testi-mony. Mr Volcker will be testitying to Congress a week after the Federal Open Market Com-mittee met to discuss shortterm monetary policy. The minutes of the mid-December meeting show that policy was left unchanged but analysts are uncertain whether a similar

uncertain whether a similar policy directive emerged from last week's meeting.

The uncertainty about interest rates led to a fall of more than a point in some corporate bond prices. New issue activity was said to be light and one of the biggest offerings. a three-year issue of Janet Bush ings, a three-year issue of

HOPES of an early cut in Texaco Capital Corporation of 1.7 per cent. Current estibly 1.8 per cent in January with interest rates have evaporated motes, had to be postponed after mates for the growth in 1987 estimates ranging from a decline in recent weeks and been renews of another setback in GNP range from 1 per cent to 6 3.5 per cent to an increase placed by fears that the Federal Texaco's long-running legal 31 per cent with a median of 0.5 per cent. Kleinwort Ben-Texaco's long-running legal battle to avoid a multibillion dollar judgement relating to the takeover battle for Getty Oil. Smith Barney says that, with the exception of an aggressively

priced five-year note issue for CIT Corporation, which yielded 51 basis points over comparable Treasury issues, most new cor-porate issues were placed without great difficulty last week. Some of the more "significant successes" included a 30-year \$120m debenture for Southwest Gas, rated triple B by S&P and

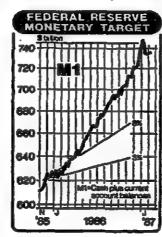
Gas, rated triple B by S&P and carrying a 9½ per cent coupon, and a \$100m 10-year note issue for Transamerica Financial, which was rated A1 by Moody's and yielded 71 basis points above comparable Treasuries.

Exchanges, banks and government offices in the US are closed today for President's Day, a federal holiday. The following economic and financial data is due for release this week, along with the median market expectations, as surveyed on Friday by Money Market Services of Redwood City, California:

January housing starts due Wednesday are estimated to have slipped back from December's strong 1.8m units per

bave stopped back from December's strong 1.8m units per annum to 1.7m. Construction on the East Coast has been slowed by harsh winter conditions but the housing sector will have been helped by a substitute of the control of the con relatively mild winter in the Mid-West and Great Lakes states. Estimates range from an annualised rate of 1.6m units to

• The revised figures for real gross national product which are due on Thursday, are estimated to show an unchanged fourth-quarter 1986 growth rate



NEW ISSUE

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Wood Gundy Inc.

GNP range from 1 per cent to
3\(\frac{1}{2}\) per cent with a median
estimate of 2\(\frac{1}{2}\) per cent an increase
GNP defiator of 3\(\frac{1}{2}\) per cent.

The weekly money supply
figures on Thursday are
expected to show a \$1\text{bin} drop,
with forecasts ranging from a decline
of \$5\$ per cent to an increase
that consumers have been pulling to the sidelines following
the great rush to purchase "bigticket" durables in advance of
the new 1987 tax law with forecasts ranging from a rise of \$3hn to a drop of \$4hn. The previous week's \$5.3bn rise left MI \$10.1bn above the upper

end of the Fed's target range of

3 per cent to 8 per cent growth

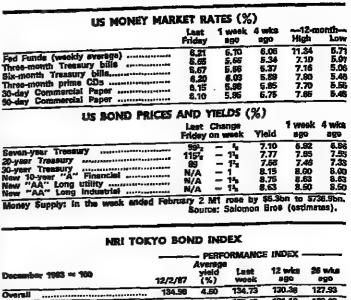
3 per cent to 8 per cent growth for the current year.

9 January personal income data on Friday is expected to have risen by 0.4 per cent, compared with a 0.8 per cent, rise in December with the slower pace attributed to lower farm subsidy payments, says Smith Barney, Forecasts range from a 0.2 per cent drop to a 0.7 per cent rise. Following last week's steep fall in January retail sales, personal consumption is forecast to have dropped

the new 1987 tax law.

● Mr Paul Voicker, chairman of the Federal Reserve, will deliver his "Humphrey-Hawkins" testimony to the Senate Banking Committee on Thursday, It will reveal the central bank's long-term monetary targets and its overall assessment of the economy's performance. of the economy's performance. Elsewhere on Capitol Hill on Elsewhere on Capitol Hill on Thursday, Mr James Baker, the Treasury Secretary, and Mr Clayton Yeutter, the Trade Representative, will testify before the Senate Finance Committee's hearings on the world economy and related trade issues.

William Hall



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January, 1987

BRITISH AIRWAYS Plc

US\$2,300,000,000

Aircraft Financing Facility

relating to the financing of 16 BOEING 747-436 AIRCRAFT AND ROLLS-ROYCE RB211-524D4D ENGINES

Secured Aircraft Financing

Arranging Banks

Barclays Bank PLC The Mitsubishi Trust and Banking Corporation

Citibank, N.A.

Midland Bank plc

National Westminster Bank PLC

Lead Managers

The Bank of Tokyo, Ltd.

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Credit Lyonnais

The Fuji Bank, Limited

The Mitsui Bank, Limited

The Hongkong and Shanghai Banking Corporation

The Sanwa Bank, Limited

The Tokai Bank, Limited

The Yasuda Trust and Banking Company, Limited

The Sumitomo Trust & Banking Co., Ltd

Westpac Banking Corporation

First Interstate Bank of California The Mitsui Trust and Banking Co., Ltd The Sumitomo Bank, Limited Managers
The Kyowa Bank, Ltd

The Mitsubishi Bank, Limited The Nippon Credit Bank, Ltd The Taiyo Kobe Bank, Limited

Algemene Bank Nederland N.V.

Amsterdam-Rotterdam Bank N.V. Banque Nationale de Paris p.l.c.

Co-Managers

Arab Banking Corporation (B.S.C.)
Credit Agricole, London Branch
The Daiwa Bank, Limited
Kansallis Banking Group
Societe Generale, London Branch

Banque Indosuez

The Dai-Ichi Kangyo Bank, Limited
Istituto Bancario San Paolo di Torino, London Branch
The Long-Term Credit Bank of Japan, Limited

Security Trustee
Barclays Bank PLC
Agent

National Westminster Bank PLC

The First National Bank of Chicago Citibank, N.A.

Asset Value Underwriting

Manufacturers Hanover Trust Company
The Long-Term Credit Bank of Japan, Limited
The Mitsubishi Trust and Banking Corporation

The Toronto-Dominion Bank Banque Indosuez The Fuji Bank, Limited National Westminster Bank PLC

Barclays Bank PLC
The Industrial Bank of Japan, Ltd
The Sumitomo Bank, Limited
Security Trustee

The Bank of Nova Scotia Credit Lyonnais Midland Bank plc Westpac Banking Corporation

Midland Bank plc Agent Citibank, N.A.

Paying Agent
International Westminster Bank PLC

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INTERNATIONAL CAPITAL MARKETS and COMPANIES

Sappi lifts turnover and profit

By Our Johannesburg

SAPPI, the South African pulp and paper maker, benefited strongly last year from a combination of increased domestic sales, higher export prices and favourable exchange rate shifts.

Turnover rose to R1.10bn (\$526.3m) from R761m and pre-tax profits were R108.1m against R60.1m. Mr Tom de Beer, the chairman, says that interest costs were sharply reduced by lower interest rates and the financial restructuring of the company which followed Octo-

Domestic paper prices were increased and are now at satis-factory levels. Production problems at the new Ngodwana pulp mill have been overcome with the commissioning of a new

D.S. DOLLARS

U.S. DOLLARS
Tokyo Bept. Store 1;
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D-MARKS

Austria I Austria I

DEVELOPERS MEET INVESTOR RESISTANCE TO MORTGAGE PLACEMENT

Triple Five shelves funding plan

NEW INTERNATIONAL BOND ISSUES

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Cofinante †
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Toyoshina & Ca. **‡
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Wormald Int. Fig. 1; kutsuya Dept. Store ** 1; Moundeigh Finance 5; Jad. Dev. Bk kulla; ;

BY BERNARD SIMON IN TORONTO

(US\$358m) private placement of long-term mortgages secured by the

Triple Five, which is controlled by the four Iranian-born Ghermezby depressed energy and grain markets. The company has asked the Alberta provincial government to participate in a restructured financ-

ing. A securities dealer involved in the finencing said that investors were also put off by the Ghermez-

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1998

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world's higgest shopping centre, to sence of a track record for the final phase of the unique shopping, en-tertainment and botel complex.

The 5m sq ft mall, which was completed in mid-1986, includes 826 shops, a full-size ice bockey rink, 47 amusement rides, and a water ian brothers, blamed difficulties in park" with six-foot high waves for marketing the issue to the shump in the Alberta economy, brought about by depressed energy and grain marting. The rooms of the Alberta economy, brought about the New Fantasyland hotel have The aborted mortgage placement. such unusual themes as a truck bian harem.

Despite criticism from other developers that West Edmonton's em- Canadian Pacific's two most trouphasis on entertainment attracts tourists rather than shoppers, a Tri- Amea International have reported

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INVESTOR hesitancy has led the ians' "controversial and flamboyant ple Five consultant said that retail lower revenues for 1986, and big owners of West Edmonton Mall, the operating style," and by the absales and shop rentals at the mall losses after special charges, but also have remained steady.

Triple Five is due to start construction on a similar US\$550m mall in the US town of Bloomington, on the outskirts of Minneapolis, within the next three months. The Ghermezians submitted a final

was needed to replace short-term. stop, a south sea island and an Ara- floating-rate debt used to finance construction of the West Edmonton

bled subsidiaries, Algoma Steel and

to sell stake in ferry group By Olli Virtanen in Helsinki

so significant reductions in debts, writes Robert Gibbens in Montreal. Algoma, Canada's third largest steel firm, is being reduced in size as a result of depressed markets for pipe and rail products. Amea, with subsidiaries making oil service between Ramsgate and Dunkerque and Finland and Sweden as well as a cruise ship service in the West Indies. products and machine tools mainly in the US, has been selling assets and hopes to reduce interest costs. Algoma has cut its debt signifi-

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of 1986, and reported an operating loss of C\$53.4m for the year Amca had a 1986 loss of US\$72.6m against a profit of US\$16.8m in 1985, on revenues of US\$1bn against US\$1.2bn.

cantly to about CS500m at the end

Finnish bank

UNION BANK OF FINLAND IS to sell its majority holding in Sally, the Finnish shipping company, to a newly-formed joint venture company set up between Effoa, the Finnish shipping line and The Johnson Line of Sweden. The new company is understood to have a 70 per cent share of Sally which operates ferry boats

Union Bank of Finland will have a 20 per cent share of the joint venture company. UBF took control of Sally in 1984 when the shlowing line was about to go under. The bank's holdings in Sally consisted of shares and convertibles.

Milan bourse debut for merchant banks

SIGE, the Milan-based and Italian corporate finance busistate-controlled merchant bank ness. which has emerged over the past couple of years as Italy's fastest growing corporate inance concern, is to be merged this spring with Italfinanziaria, merger plan comes in the wake.

The merged bank to be cal-

this spring with Italfinanziaria, merger plan comes in the wake The merged bank, to be called Italsige, is then planning to make its debut on the Milan bourse with the flotation of between 20 per cent and 30 per cent of its equity. The operation is likely to reise around L400bn (\$308m).

The merger of Sige and Italfonanziaria, both of which are owned by IMI, the state credit institute, will create a power-

institute, will create a powerful new merchant banking group. Sige has already distinguished itself in the Italian financial world as an aggressive merchant bank. It has leadmanaged more than L1,000bn of recent share issues and claims to have around 40 per cent of

Takeover offer for A. H. Robins withdrawn

BY ANATOLE KALETSKY IN NEW YORK

dropped its takeover bid for A. H. tion."
Robins, the bankrupt healthcare company which faces billions of dollars in liability claims from women injured by its Dalkon Shield intrauterine contraceptive.

Robins' share price, which had more than doubled last week to

AMERICAN HOME Products has not been clarified to our satisfac-

rate, but it had stated from the outset that its bid would be conditional on a full permanent resolution of the 300,000-odd liability claims against Robins.

peak at \$24 in response to AHP's unexpected merger offer, fell back to around \$14 after yesterday's an compensate the Dalkon Shield claimants. But lawyers representing AHP said it had withdrawn its offer, the value of which was never
publicly quantified, because it was
"not worth the risk of going forward" in view of "uncertainties surand the claimants made clear over the
weekend that a larger trust fund
might be required, while Robins' directors were unhappy that too little
ward" in view of "uncertainties surrounding the situation which have for Robins' shareholders.

HK property group plans rights

finance the purchase of a major additional HK\$394m. stake in Wah Kwong Properties, writes our Financial Staff.

The rights will be a one-for-four at HK\$2.50 a share. The new shares will be accompanied by warrants entitling share-holders to subscribe for two shares in Union V-Tex at HK\$3.50 each.

UNION V-TEX REALTY, a Full conversion of the war-Hong Kong property group, rants, which can be converted plans to raise HK\$137m through up to mid-1991, is expected to a rights issue in order to provide Union V-Tex with an

> Union V-Tex was recently taken over by Asia Securities, owned by Australian business-man Mr William Wylie, which will inject 120m Wah Kwong shares into the company at HK\$ 1.45 per share. The company will then change its name to Asia Securities International

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The Directorate of Housing Development and Public Participation Administration

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FUJI BANK INTERNATIONAL, INC.

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October, 1986

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SHORTS

SHORT BROTHERS PLC U.S. \$240,000,000

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Martin Dickson looks at Dalgety, a possible target for a takeover bid

Offering the City a menu to study

THE MAGE builders have descended on Dalgety, the food and agricultural products business. It has hired one of the City's leading public relations companies and recently launched a press advertising campaign to sing its praises. "Dalgety," runs the punchline, "a name that goes from strength to strength."

When a company starts trying the punchline in the strength in the strength in the strength."

ing to improve its profile in this manner it usually means one of two things: that it feels the City does not fully appreclate its merits, or that it fears it may find itself on the

receiving end of a takeover bid.

In the case of Dalgety—
which will announce its interim
results today— both factors
seem present. For months now,
Stock Market rumours have presented it as a possible take-over target. And Hillsdown Holdings, the highly-acquisitive foods group, is known to hold a stake in the company (though this has apparently been reduced in recent months to under 3 per cent). Yet Mr Terry Pryce, Dal-

gety's chief executive, insists that "we don't run this business looking over our shoul-der." The purpose of the campaign, he says, is to counter misconceptions about the com-pany, such as it still being very much an Australian agricultural trading business. He wants to trading business. He wants to get across the message that it is now primarily a food products group with a "lean and hungry" management and strong brands, including Spil-lers' flour, Winalot dog tood and, since last autumn, Golden

That deal was criticised at the time on strategic grounds, since it seemed to reverse in 1985.

Dalgety's long-time policy of All this has gained Dalgety's reducing its dependence on management considerable res-

PENDING DIVIDENDS

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Mining.....Mar 15 Final 140s GrattenMar 21 Final 4.0 Guest Keen ...Mar 12 Final 7.5

cyclical commodity trading. Financially, too, it has been far from happy. Dalgety did not pay a particularly high price for the business, but the dull performance of soft commodity markets since has meant some

dilution of earnings.

Even worse, the collapse of the International Tin Council left Gill & Duffus/Dalgety with a £28m extraordinary write-off in the 1986 accounts. Dalgety could hardly have foreseen this, but it nevertheless left the impression of a company that had become a trifle accident prone. The fall from grace was per-

haps the greater because of the contrast with the group's suc-cess over the previous decade in making one of Britain's most remarkable corporate metamorphoses.

Daigety was founded more than 140 years ago to sell farm supplies to Australia. And that is what it remained until the 1970s, when a young new management team set about turning it into a broadly-based food and agricultural business with strong British and North American legs.

Among the team was Mr chief executive five years ago. A slim, wiry man with an open manner, he comes from Welsh farming stock—"I know what it is to milk cows, because I had to do it by hand as a kid"— and is a food technologist by training. He learnt menage as an employee of Charles Forte, joined Digety in 1970 and was given the task of building up its UK interests from

measurer the reason, Dalgety's transformation was gety has certainly got some bridge-building to do with the speed, largely by buying problem. Speed, largely by buying problem businesses cheaply—such as Spillers, acquired in 1979 £120m acquisition of Gill & Duffus, the commodity trading group in 1979. after a bitter takeover battle— and then turning them round. The financial record was also good, with pre-tax profits rising from \$41.2m in 1981 to £72.3m

All this has gained Dalgety's

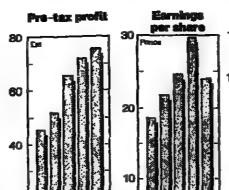
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HillsdownMar 11 Final 3.0
Hongkong Shanghai Bk...Mar 16 Final 80.31
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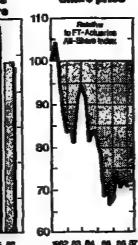
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Board meeting intimated. † Rights leave since made. † Tax free. § Scrip issue since mede. † Forecast







pect among City analysts.
"They have shown themselves
to be good turners-round of businesses," says Mr David Lang. of brokers Henderson Crosthwaite. Yet to the wider investment community the company re-mains anonymous and a competititor in some very mature, cut-throat business.

It is this image Mr Pryce is out to change. Dalgety used to classify its businesses by geo-graphic area, a hangover, perhaps, from Australian days. But now the emphasis is on product

sectors.

Mr Pryce is at pains to point out that food interests now account for more than 40 per cent of sales (against around 25 per cent for agricultural inputs and services and 25 per cent for commodities) and it is this side of the business which will see

most expansion, particularly in-to higher value-added products. A prime example is Dalgety's purchase last October of Golden Wonder, the snacks foods business which Hanson Trust had acquired in its takeover of Imperial Group. Some critics claimed at the time that Dalgety may have paid too much. However, it faced strong competi-tion to win Golden Wonder; the

group whose interests include

Mr David-Weill, who is a nonexecutive director of Pearson, notified the Stock Exchange of

the purchase of 8.12m shares, in the company—just under 4 per cent—in mid-January. Pear-

son has a 50 per cent interest in Lazard Brothers, the UK

merchant bank, and owns smaller stakes in Lazard Freres,

Lazard Freres takes

near 5% of Pearson

MR Michel David-Weill, senior the US house, and Lazard partner at Lazard Freres, the New York investment house, and other partners in Lazard ject to bid speculation in recent Freres in Paris, have acquired months. Last October, directors indicated that any investors in

a holding of just under 5 per indicated that any increase in cent in S. Fearson, the industrial, banking and publishing company held by Hutchison

year, with the prospect of a considerable enhancement in 1988 as Dalgety's team integrates and rationalises the business. It has already announced the loss of 600 jobs with the closure of a Scottish factory. Golden Wonder is one of the

UK's big three snacks manufacturers and has a monopoly in Pot Noodles. A serious strike two years ago led to a signifi-cant loss of market share, but it is now clawing this back and the industry's prices and misr-gins are much improved. Dalgety is very bullish about

the longer term possibilities of the UK snacks market, which is far less developed than in the US. Yet, as the recent price war showed, this is an extremely competitive sector, with an excess of manufacturing capacity.

Mr Pryce cites snacks as an example of a growth market where Dalgety has a strong presence. Others include chilled foods (it is a major supermarkets supplier) seasonings, and Martin Brower, the largest fast food distribution business in the US.

Petfoods is a market expandtion to win Golden Wonder; the ing in the UK at about 5 per final price was £82m, rather cent a year and Dalgety's than the £87m initially announced; and there should be dry meal and biscuits, is making no dilution of earnings this a concerted attack with new

months. Last October, directors indicated that any increase in

company held by Hutchison Whampoa, a Hong Kong trading

canned sector, Mars' Pedigree. Dalgety may be involved in some motor businesses, but says Mr Pryce, there are good profits to be made in them if you can keep shead of the com-petition. And, he says, Dalgety occupies first or second position in 75 per cent of the markets in which it operates. This gives it particular muscle, and an ability to combat problem sec-tors which are not growing, such as U Kanimal feeds, which is ing hit by the cutbacks in

The UK agricultural side of the business may see some small add-on acquisitions over the next few years - for example as small UK feed proexample as small UK feed pro-cessors drop out of this tough market — and so too may the commodities operations. But any major acquisitions are likely to be in foods, while the company will continue to divest itself of perplets of continues to

EEC milk quotas.

boost the quality of earnings.
It recently sold Lloyds
broker Clarkson Puckle for
£43.1m to Inchcape and ABM
Chemicals to Rio Tinto-Zine for about 530m. There has been speculation that it might divest some of its poorly-performing engineering interests, It retains Australian farming

back community. But two years ago it was forced by the country's foreign investment regulations to cut the stake to 49 per cent. A change of Government policy means this has now gone back to 51 per cent and Dalgety would like to increase it to around 70 per cent to consolidate control.

The change of the Australian The change of the Australian business from subsidiary to associate knocked about f4m off Dalgety's 1986 pre-tax profits, which were also badly hit by currency movements and only crept forward 4 per cent to £75m. Earnings, hit by both currencles and Gill & Duffus, slumped from 29 7p to 24p. slumped from 29.7p to 24p.

Analysts are expecting the

Analysis are expecting the group to announce interim pre-tax profits today of between £40m and £42.5m, compared to £35.4m in the same period of last year. But much of that advance is likely to be due to a three-mouth contribution from Golden Wonder and a particularly strong performance. Golden wonder and a par-ticularly strong performance from its Canadian lumber interests. Full-year profits are projected at around £89m, which would give earnings per share of about 26,5p—still below 1985. Nevertheless, the market's percention of the company does

perception of the company does seem to have improved some-what. With the shares at \$25p, it now stands on a prospective p/e of about 12, roughly the sector average, while the shares are underpinned by a strong 6.5 per cent yield.

That is still well below high-

ffers like Hillsdown. Yet Hills-down is a company which has grown by friendly rather than hostile bids and its brief inter-vention last year in the tangled takeover manocuvres surrounding British Sugar may have made it less enthusiastic for the

made at less entrousastic for me battle it would have on its hands with Dalgety.

Nonetheless, Mr Pryce is anxious to get his company's rating up further. "Our strategy has always been in place," he declares, "but in the next was did not explain it the past we did not explain it to those who own us."

A company may get away with that when earnings are constantly rising but not when interests, and is one of the big a badly-digested acquisition pro-two suppliers serving the out-

Satisfactory progress continues at A. Lee

Mr Peter Lee, chairman of Arthur Lee and Sens, Sheffield-based producer of cold rolled steel strip, told the annual meeting that after four months of trading in the current financial year, satisfactory progress continued.

The group's balance sheet re-mained strong, and directors were encouraged by cheerful economic forecasts for the re-mainder of the year, he said. Looking further ahead they attached even greater import-G. T. ASIA (STERLING) Fund: Income £258,758 (£259,623) and expenditure £242,480 (£59,606) attached even greater importance to the potential for improving operating performance and for group expansion by

for year to end-September 1986. Net assets £23.68m (£15.72m). Earnings per share 5.2p (51.6p) In the steel division, Steel and dividend of 40p per part redeemable preference share. Strip's results to date reflected

the good market conditions, Stee! Wire had continued to perform well, while Bright Bars had recently introduced a significant restructuring of its

FT Share Information

The following securities have been added to the Share Information Service.
Benson SBG (Section: Indus-

British Gaz (Oil and Gas). Nationwide Bidg. Soc. 11 pc 18/1/88 (Building Societies). Hidge, (Third

Goldcrest in £6m refinancing package

BY NIKKI TAIT

Goldcrest, the independent deal, smaller investors are film company which ran into rumoured to be less happy. financial difficulties two years ago, has agreed in principle to a refinancing package. This would give an American property developer, Mr Earle Mack, an 85 per cent stake in the company in return for a cash injection of just under £6m.

The deal specifically excludes a couple of Goldcrest's assets including the revenues from
The Mission, the £17m David
Puttnam film which has won
critical acclaim and is currently
proving a success in Europe and
New York.

New York.

The refinancing package, which requires shareholder approval, will substantially dilute existing interests. Although the larger shareholders—including Pearson, the diversified group which owns the Financial Times and currently holds a 41.2 per cent stake in Goldcrest, Electra Investment Trust, the Coal Board Pension Fund and Noble Grossart, the Scottish investment house—are supporting the ment house—are supporting the

Goldcrest was founded 10 years ago by Mr Jake Eberts, a Canadian investment banker, who left the company to join Embassy Communications International at the end of 1983. A few months after Mr Eberts' departure, Goldcrest raised a further £22m from institutional shareholders, to finance film and

TV productions.

However, after reporting a small profit in 1984, Golderest was forced to write-off £20m just over a year ago—largely due to losses on Revolution, which overran its budget and was subsequently panned by the critics. Since then, Mr Eberts, who returned as chief executival in August 1985, has been anxious to attract new cash in order to enable the company to start investing in film produc-TV productions. start investing in film produc-

tion again. Amongst the films in which Goldcrest has been involved, are Charlots of Fire, Local Hero, The Killing Fields, and Gandhi.

BOARD MEETINGS

TODAY Interims:—Daigety, Elders 1XL,	Н
Framington Far East Fund, Goodhaad Print, Ryman, Sigmax International, TR City of London Trust.	8
Finals: Citygrove, Eriosson, Scottish Eastern Investment Trust. FUTURE DATES	P

(Incorporated in the Republic of South Africa)

RESULT OF RIGHTS OFFER BY THE COMPANY OF 17 456 020 UNITS OF UNSECURED VARIABLE RATE SUBORDINATED LOAN STOCK (" VARIABLE RATE LOAN STOCK")

UAL Merchant Bank Limited ("UAL") is authorised to announce the result of the rights offer by Anglovasi Limited of 17 456 020 units of variable rate loan stock to its ordinary. 'A" ordinary and participating 5% preference shareholders entitled thereto and, as renounced, to the shareholders of Anglovasi Holdings Limited (Incorporated in the Republic of South Africa; Reg. No. 68/09249/06) entitled thereto. The following subscriptions, and applications for additional units of variable rate loan stock have been received:

Subscriptions Applications for additional

All subscriptions and applications for additional units of variable rate loan stock will be allotted in full. UAL will, in terms of the underwriting agreement, subscribe for 58 857 units, representing 0.3% of the total issue, amounting to

be posted on or about Monday, 16 February 1987.

UAL MERCHANT BANK LIMITED (Reg. No. 55/08181/06) (Registered Bank) A Member of the Nedbank Group Incorporated in the Republic of South Africa 16 February 1987

NOTICE OF REDEMPTION TO HOLDERS OF

INDUSTRIAL BANK OF FINLAND LTD LAND AND INDUSTRIAL MORTGAGE BANK LTD FINNISH REAL ESTATE BANK LID

Kawaiti Dinars 5,000,000

7½ per cent. Guaranteed Finnish Municipalities Notes Due 1989 Sixth Mandatory Redemption Due 1st April, 1987 of Kuwaiti Dinars 750,000

NOTICE IS HEREBY GIVEN THAT, pursuant to Condition 5 (A) of the above mentioned Notes, the Banks have purchased in the open market and surrendered to Kuwait Investment Company (S.A.K.), as Fiscal Agent, Notes in the principal amount of Kuwaiti Dinars 376,000 and that on 1st April, 1987, Notes in the principal amount of Kuwaiti Dinars 374,000 fall to be redeemed at 100% of the principal amount together with accrued interest to the date of redemption. The following Notes have been drawn by lot to satisfy this redemption. requirement:

00383-00397	01491-01505	03855-03869
00516-00530	01552-01566	03929-03943
00631-00645	02049-02063	04086-04100
00826-00840	02132-02146	04121-04135
00919-00933	02633-02647	04730-04744
01044-01058	02917-02931	04773-04787
01217-01231	03708-03722	04847-04861
01438-01452	03826-03840	04972-05000

The Notes specified above will become due and payable in Kuwaiti Dinars at the offices of Kuwait Investment Company (S.A.K.), Mubarak Al-Kabir Street, Kuwait City, State of Kuwait, or, at the option of the bearer, but subject to applicable laws and regulations, at Chibank, N.A., Citibank House, 336 Strand, London WC2R 1HB, and Kredietbank S.A. Luxembourgeoise, 43 Boulevard Royal, Luxembourg by cheque drawn on a Kuwaiti Dinar account, with, or by a transfer to a Kuwaiti Dinar account maintained by the payee with, a bank in Kuwait. From, and after 1st April, 1987, interest on the above mentioned Notes will cease to accrue.

Notes should be surrendered for payment together with all unmatured coupons appertaining thereto, failing which the face value of the missing unmatured coupons will be deducted from the principal amount.

The aggregate principal amount of Notes remaining outstanding after 1st April, 1987, will be Kuwaiti Dinars 1,500,000.

KUWAIT INVESTMENT COMPANY (S.A.K.) on behalf of Industrial Bank of Finland Ltd Land and Industrial Mortgage Bank Ltd. Finnish Real Estate Bank Ltd.

Dated: 16th February, 1987

FINANCIAL TIMES STOCK INDICES

	MANCIAL TIMES STUCK INDICES									
	Feb. 23	Feb. 12	Feb.	Feb. 10	Feb.	Feb.	196 High	5/87 Law	Since Co High	mpilation Low
Government Secs	86.18	85.86	85.80	86.00	86.12	86.24	94.51	80.39	127.4	49.18
Fixed Interest	92.82	92.73	92.67	92.81	91.80	92.81	97.68	86.55	150.4	50.53
Ordinary	1521.0	1501.0	1508.9	1493.0	1516.6	1508.9	1521.0	1094.3	1521.0	49.4
Gold Mines	308.7	319.0	320.7	318.5	319.2	319.3	357.8	185.7	734.7	43.5
FT-Act Ali Share	943.92	935.71	941.41	932.39	947.20	941.18	947.20	664.42	947.20	61.92
FT-SE 100	1898.1	1878.6	1895.8	1874.9	1910.7	1898.4	1910.7	1370.1	1910.7	986.9

This advertisement is issued in compliance with the regulations of the Council of The Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any shares. Application has been made to the Council of The Stock Exchange for the grant of permission to deal in the whole of the issued share capital of the Company in the Unisted Securities Market. It is emphasised that no application has been made for these securities to be admitted to listing.

Sanders & Sidney

ted in England under the Companies Acts 1948 to 1987 No. 11308469

Anthorised

£500,000

SHARE CAPITAL

in Ordinary shares of 5p each

Issued and now issued fully paid

PLACING BY CAPEL-CURE MYERS

1,700,000 Ordinary shares of 5p each at 100p per share

Sanders & Sidney provides counseiling and related support services to executives whose employment is being terminated by a client organisation. The Company receives payment from the previous employer.

Capel-Care Myers, 65 Helborn Viaduct, London EC1A 2EU, A member of the ANZ Group

16th February 1987

SANDVIK AKTIEBOLAG 5WX CONVERTIBLE BONDS COUPON DUE 15TH MANCH 1981 Natice is hereby given to the Coopen helders of the above marrianned issue that Coopen No. 10 will be payable on 15th March 1862 at USSE256 or DN/141.30 enhibet to the spree

hich the Courts supply W SANDYK AKTEBOLAS LANK OF AMERICA INTERNATIONAL S.A. rincipal Paying Agen

LG. INDEX

PT for February

1,516-1,522 (+12) Tel: 01-828 5699

Citicorp Overseas Finance Corporation N.V. rated with limited liability in the Natherla Unconditionally georgeteed by CITICORPO

Notice is hereby given that the Interest payable on the relevant Interest Payment Date, February 23, 1987, for the period November 14, 1986 to February 14, 1987 against Coupon No. 10 in respect of U.S.\$50,000 nominal of the Notes will be U.S.\$791.10.

By: Citibank, N.A. (CSSI Dept.), Agent Bank February 16, 1987, London

CHANCERY SECURITIES PLC AND SUBSIDIARIES are pleased to announce

the opening of their new Group Headquarters at

14 Fitzhardinge Street Manchester Square London · W1H 9PL

Telephone: 01 486 7171

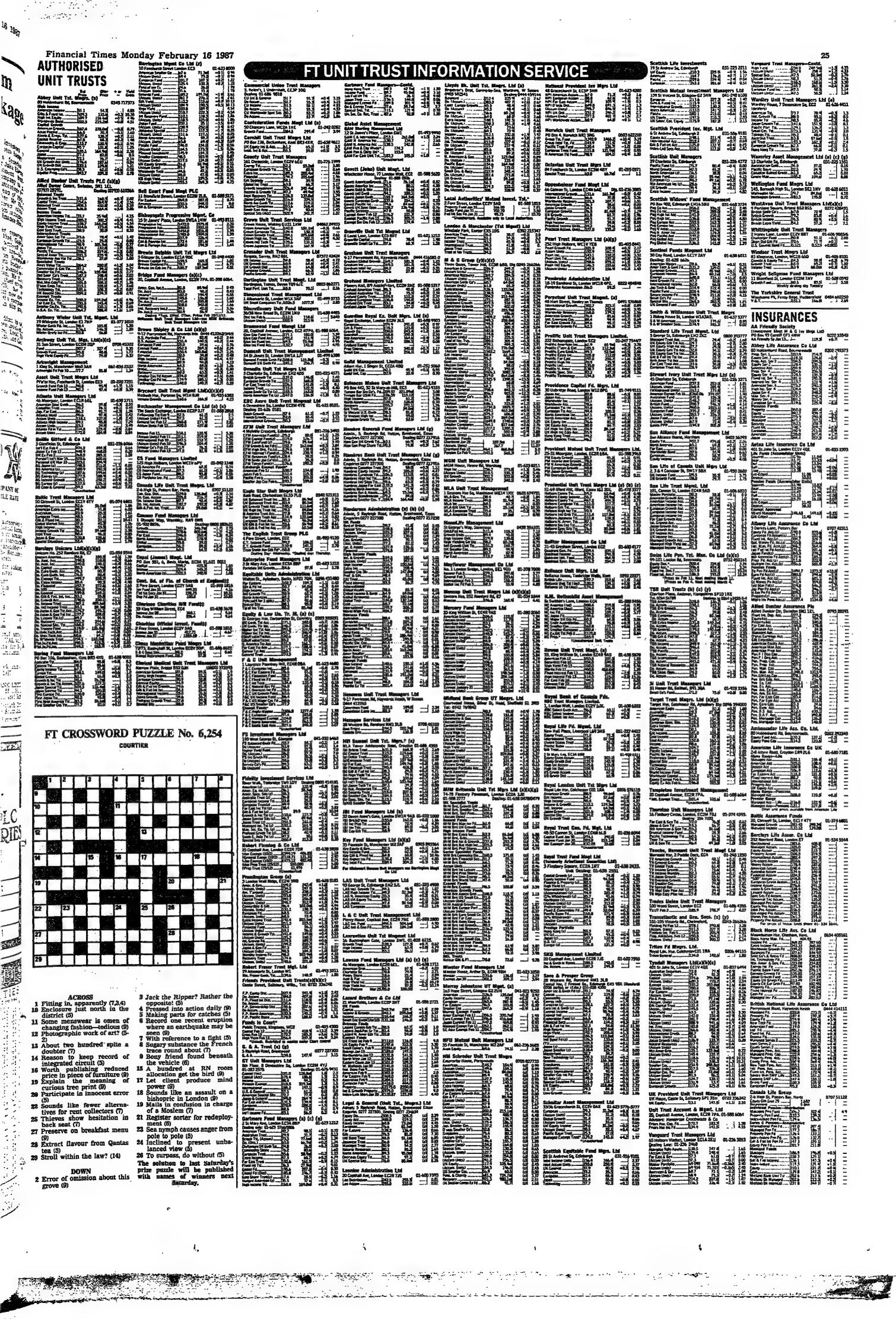
SPONSORED SECURITIES

1	Capitelisetn.			Change	Gran	VILLE	
ı	£0000.#	Company	Price	on week	div (n)	**	P/E
1	5,446	Ase. Brit. Ind. Ord, serrengeres	161	+8	7.3	4.5	9.9
ı	-	Ass. Brit. Ind. CULS	163	+8	10.0	B. T	7.5
ı	875	Armitage and Rhodes	35		4.2	12.0	4.9
Į	8,541	BBB Design Group (USM)	79	+2	1.4	1.8	18.6
1	70,080	Bardon Hill	218	+1	4.8	2.1	24.8
ì	5,515	Bray Technologies	100		4.3	4.3	11.8
ı	455	CCL Group Ordinary	120	_	2.9	2.2	9.2
ľ	1,238	CCL Group 11pc Conv. Pref	39		15.7	15.9	-
Į	18,077	Cerborundum Ord	268	-2	9.1	3.4	12.9
ł	651	Carborundum 7.5pe Pret	93		10.7	11.5	12.9
1	1,661	George Bleir	20		3.8	4.2	2.3
H	4,830	Ind. Precision Cestings	114		6.7	5.9	10.1
l	9,559	Isla Group			18.3	15.3	6.3
Н	6,249	Jackson Group	120	-1	6.1	5.1	8.2
Į	50,009	James Burrough	357	+5	17.0	4.8	
1	3,152	Jemes Burrough Spc Pref	90	-1	12.9	14.3	
1	54,194	Multihouse NV (AmetSE)	695	-15	12.5	14.3	36.4
ı	5,073	Record Ridgway Ordinary	351		_		
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1	918			_	14.1	17.0	
ı	2.430	Robert Jankins	90	-1	-	-	4.0
1	3,539		54	+3	_		٠ 🗕
1		Tordey and Carlials	145	+2	5.7	3.9	8,8
ì	1,469	Trevian Holdings	324	-	7.9	2.4	6.7
i	15,000	Unilock Holdings (SE)	75	-4	2.8	3.7	13.8
į	32,407	Weiter Alexander	125	+4	5.0	4.0	12.0
1	4,551	W. S. Yestes	195	_	17.4	8.9	19.6
j	4,155	West Yorks Ind Hosp (USM)	98		6.6	5.7	14.0

Granville & Co. Limited 8 Lovat Lane, London EC3R SBP Telephone 01-621 1212 Member of FIMBRA

Granville Davies Coleman Limited 27 Lovat Lane, London EC3R SDT Telephone 01-621 1212 Member of the Stock Exchange

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Financial Times Monday February 16 1987 Property Equity & Live Associated Act Southern Scattern S 1384 1973 1943 1943 1943 1976 1123 **19** 1 | ECST 680 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 223 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 233 | 114.0 20.9 20.9 20.9 20.1 24.0 135.0 135.0 2 100 | Sec. | +0.5 Life Founds
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Financial Times Monday February 16 1987

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Comparison of the Compariso Financial Times Monday February 16 1987 INDUSTRIALS—Continued ## Company of the Com Price and Het C'er Gr's ENGINEERING—Continued 28 AMERICANS-Cont. BRITISH FUNDS "Shorts" (Lives up to Five Years) AApriEveh. 101-pc 1987..... 1 May Funding 61-pc 85-87... 12 June Treas. 10pc 1987..... 26 187 0.9426 4.1146 - - : 6.2012 5 Jul 15 Jan Treas 139x 1990##... 22.9y 22.ian/Tress 12'apr. 17'44:

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SOLIHULL BRACKNELL

Saudi bank relocates

Al-Bank Al-Saudi Al-Fransi (Saudi French Bank) has awarded a US\$18.5m (£12.5m) contract to HYUNDAI ENGINEERING & CONTRACTING CO to build a new headquarters building in Riyadh.

The move of Saudi French Bank follows a general migration of Saudi banks to the capital city of Riyadh. Riyad Bank has announced plans to move to Riyadh and Al-Bank Al-Saudi Al-Hollandi (Saudi Dutch Bank) has moved half of its headquarters operations to Riyadh.

The building will rise nine storeys and will have three basement levels, which will include below-ground parking. The building will have around 28,000 sq metres of floor space. It will be located near the Riyadh Martiott and contain a branch as well as bank offices.

and contain a branch as well as bank offices.

While the new building goes up, Saudi French is shuffling its Riyadh operations. The bank's Riyadh regional management, main branch and administrative

main oraces and authorizative support will move from their present quarters on Airport Street to a new building on the same street. Refurbishment of the new building is taking place and the move should be finished by the end of 1987. Saudi French is 40 per cent owned by Bank Indosuez, and 60 per cent by Saudi investors.

The Northern Regional Health Authority has awarded a £12m contract to JOHN LAING CONSTRUCTION for scheme three, phase one development at South Shields Hospital. The contract is for the construction of a four-storey ward block, including a gymnasium and accident and emergency ward. A two-storey theatre block is also being constructed. The buildings will be made of reinforced concrete, and the total floor area of the main blocks will cover 18,700 sq metres. All mechanical and electrical services plus external The Northern Regional Health electrical services plus external works and drainage are included in the contract. There will also be several new single-storey buildings including a child assessment unit.

CONSTRUCTION CONTRACTS

£20m Bristol headquarters

Scheme details are finalised and the contracts have been signed for the £20m head office development for Gateway Foodmarkets at Whit-church in Bristol, following approval of the project by the City Council's planning

To be built by the Bristol-based PEARCE BUILDING GROUP, the 250,000 sq ft development will be the largest office complex in the city and will accommodate over 1,800 staff—recruitment for the first 200 members of staff is already under way. Further staff will be recruited as the building nears com-pletion.

Pearce centractors have begun work on the 17-acre site with the first phase of the project due for completion in May 1988. The over-all construction period is expected to be 20 months.

The scheme has been designed by Pearce architects to include a three-storey central office block with linked courtyards to four. two-storey wings surrounded with extensive landscaping and car parking for up to

The central block will relate the main victims reception area, staff res-taurant, executive office suites and the accounting offices.

The complex will be built in brick with a tiled pitched roof, to minimise external maintenance costs and complement the environmental characteristics of the local

Recognising the importance of short and long-term flexibility for a large organi-sation like Gateway, Pearce has designed the building to ensure that all internal areas can be serviced at floor and ceiling level. A clear span floor for the first and second floors will extend across the whole width of the building to avoid restrictions in the positioning of corridors and circulation routes.

Ernest Ireland orders total £12m

in the west and south Wales has been won by ERNEST IRELAND CONSTRUCTION of Bath. The construction of Bath. The contracts include retail warehouse units in Bristol, a primary school in Carmarthen and an extension to another school in south Wales, offices and warehousing in Swindon and Winchester. The largest contract, valued at £3m, is for phase 3 of the Eastgate development in Bristol and comprises five retail warehouse units with a total floor area of 111,000 so ft. The conarea of 111,000 sq ft. The con-tract is being undertaken for BS Properties. Isaac Jones Con-struction, the south Wales regional effice of Ernest Ireland Construction, has been awarded the contract to build a primary school at Carmarthen, valued at £1m, for Dyfed County Council.

Two contracts are underway at Swindon. The largest, worth 1953,000 is for Multivac (UK), for whom Ernest Ireland is building a 17,000 sq ft sales and service centre. At Frankland Road, Swindon, a 2900,000 project is for the design and construction of a two-storey extenstruction of a two-storey exten-sion for Water Research Centre

At Crown Walk, Winchester, the company has been awarded a £557,000 contract by Bath & Bristol Estates for an office block superstructure, while in block superstructure, while in Salisbury a 4470,000 contract has been received for an extension to The Red Lion, believed to be the oldest purpose-built hotel in the UK. The new wing will provide car park at ground floor level with two storays of bed-

rooms and bathrooms above.

In Swansea, Isaac Jones has won a £500,000 contract from West Glamorgan Councy Council to build an arts and teaching block at Gowerton Senior Comprehensive School and has also started work on a £200,000 negotisted contract from Midland tiated contract from Midland Bank for refurbishment and new construction at its Castle Square

For West Wiltshire District Council, Ernest Ireland is build-Council, Ernest Ireland is building a swiming pool with changing accommodation in Melksham valued at £355,000 and in Southampton has won a £250,000 contract from Southampton City Council for alterations and refurbishment to the bousing department's offices at the Civic Centre.

Tunnelling projects

ISSUE BY TENDER OF £400,000,000

2 per cent INDEX-LINKED TREASURY STOCK, 1992

PAYABLE IN FULL WITH TENDER

INTEREST PAYABLE HALF-YEARLY ON 23RD MARCH AND 23RD SEFTEMBER

The Stock will be regimened at the Benk, of England or at the Senk of Indend, Bethet, and will be addressed, in multiples of one parks, by instrument in writing in accordance with the Stock Taxosfor Act 1853. It's registered at the Stock of England held for the secound of members of the Castel Gibs Office Senates will

Stock of the Lisse and the interest psychole thereon will be exempt from all United Kingdom tension.

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Further, the interest psychie on Stock of this lease will be exempt from United Kingdom Buttone test with to future, so long as it is shown that the peach is in the beneficial demanding of persons who are an unity resident in the United Kingdom of Greek Britain and Hambern Indiana.

For the purposes of the proceeding persprepies, persone are not grainerly resident in the United Kingdoos By are reparted as not prointrily resident for the purposes of United Kingdom income too.

10. If not previously redoemed under the provisions of perspects, the brook will be repaid on 23rd March 1832. The value of the principal on reportment will be related, subject to the terms of this prespectue, to the terms of this prespectue, to the terms of this prespectue, to the terms of the previous of the stock, of the Usage Klagdom General Index of Read Prices maintained by the Department of Employment, or any Index which may replace, that Index for the perposes of the Respectual such movement bodg indicated by the Index Signes issued monthly and subsequently published in this London, lightly that the Saltest Supresses.

11. For the purposes of this prospectus, the index figure applicable to any mannit will be the index figure islated seven months prior to the relevant seven and estating us the month before that poor months "month" means colorate month; and the force ratio copicable to any month will be equal to the index figure applicable to that month divided by the index figure applicable to that month divided by the index figure applicable to february 1657.

12. The amount due on repayment, per £100 nominal of Shock, will be £100 multiplied by the ladex nationapplicable to the mount in which repayment takes place. This product, expressed in pounds sterling to four places of described required to the nearest figure below, will be amounted by the Bank, of lingland not least than the business day immediately preceding the date of the perulahment interest payment.

13. Interest will be payable helf-yearly on 23rd March and 23rd September, Income tax, will be distant physics of more than C5 per annum, interest warrants will be transferented by poet.

untiples of one penny, by institutions in writing in accordance with the Stock Transfer Act at the Benk of England hald for the account of members of the Control Gits Office Service, in matigate of one penny by scenpts to

A. MONK, a Davy Corporation company, has gained contracts will at £11.5m. The tunnelling division leads the way with contracts valued at over \$6m which includes the Coppermilla sto Stoke Newington section of the London Ring Main for Thamas Water Authority valued at £4.7m. The contract involves the pipejacking of a 2.2 metre diameter concrete pipe, 3 km in length and the construction of a bolted segmental concrete shaft. Pipejacking is also involved in the £1.19m contract for the Borough of Sunderland on the Borough of Sunderland on the Stanford office has been awarded a £7.8m contract involves to the fil.19m contract for the Borough of Sunderland on the Stanford office has been awarded water Authority.

Trafalgar House associate company GAMMON (HONG KONG) has been awarded a £7.8m contract for extensions to Hong kong's Kwai Chung container tracts include a soapery for port. The contract is for the ling £280,000 for tite preparation on pier 8 and demolition and associated civil works ford for Salford City Council, and construction of a gludge glumon (Hong Kong) is jointly owned by Trafalgar House and Jardine Matheson.

Hong Kong port plan

TENDERS MUST BE LODGED AT THE BANK OF ENGLAND, NEW BISUES (P), WATLING 24. Letters of informent in respect of Breefs afferted, being the only form in which the Brock may be STREET, LONDON, ECAM SAA NOT LATER THAN 10.00 A.N. ON WEDNESDAY, 18TH Trindered prior to registeration, will be despected by post at the risk of the tenders, can the nature of the species of the letter state of the prior of the species of the letter state of the species of the species of the BRN of ENGLAND OR AT THE Withhold used the tenders in the species of the species

per discovering was air requirement of the product class to the whole of the street of the period of

Letters of allotment near be split his denominations of multiples of £100 on written request received Bank of Brigand, New Igoues, Weeling Green, London, £6446 S.A.A. on any date not later than 26th March Such requests must be agreed and must be extended by the tensors of allotment. Letters of allotment, period by a completed registeration form, may be lodged for registeration forstwith and in any case they a lodged for registeration as inter than 30th March 1967.

Englose for exemption from United Kingdom income test should be made in such tests as may be LONGON Devictions for exemption from United Kingdom income test should be made in such tests as may be LONGON Devictions, the special form the properties forms they be obtained from the Inspector Deviction, Light Reviews, Lymwood Read, Thansis Diston, Surrey, KT7 ODP.

THIS FORM MAY BE USED TENDER FORM

at Power Deviceros, Intend Revenue, Lymonot Read, Thands Debbn, Surrey, RT7 CDP.

3. These examptions will not entitle a person in claim repayment of text deducted from intenset Unions the state of the such repayment is made within the time time provided for such claims under income text leve; ender the providence, of the Series Management Act 1970. Section 43(1), no such claims under income text leve; ender the providence of the series Management Act 1970. Section 43(1), no such claims will be entitled this time time it is to make the providence will not supply as a set or section that the time time it is the supply as a set or section to the intenset in position. In addition, these exampt forms in subject to the providence of any trade or in the intenset of the supply of the second or in the provise of the intenset will not be exampt from informs tax where, under eny such provision, it talls to be treated for the purpose of the intents.

**Tax Acts as second of any person resident or ordinarily resident in the United Kingdom. This form must be lodged at the Benk of England, New Issues (P). Watling Street, London, EC4M 9AA not later than 10.00 A.M. ON WEDNESDAY 18TH FEBRUARY 1967, or at any of the Branches of the Bank of England or at the Glasgow Agency of the Bank of England not later than 3.30 P.M. DN TUESDAY, 17TH FEBRUARY 1987. ISSUE BY TENDER OF £400,000,000

2 per cent Index-Linked Treasury Stock, 1992

TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND

14. The first Indeput payment will be made an 22rd September 1987 at the rate of £1.2186 per £190 February 1987 as follows:—

Amount of above-mentioned Stock tendered for, being a minimum of

The rate of transect for each internal payment other than the first, expressed as a percentage in pounds ig to four closes of decimals nounded to the neurost figure below, will be sensounced by the Benk of England by than the beginned day immediately give action she date of the continue would be the Benk of England If the index is revised to a new base after the Stock is issued, it will be necessary, for the purposes of preceding paragraphs, to calculate and use a notional index figure in assistantion for the index figure in assistantion for the index figure in actional index index in the month in which repayment sulses place and/or or interest payment that due ("the month of mont"). This notional index figure will be obtained by multiplying the actual index figure applicable to the third of payment by the index figure on the old bean for the index in our content in surject his revised index is based on the old by the product by the new base figure for the actual month. This procedure will be used for each accession

MSE

1. NOWINAL AMOUNT OF STOCK £

Sum enclosed, being the empurit required payment in full, i.e. the price tendered for every £1 of the NOMINAL amount of Smck tendered (shown in Box 1 above):—

3. TENDER PRICE (b)

19. If any change should be made to the doverage or the basic calculation of the index which, in the opinion of the Baric of England, constitutes a fundamental change in the fundar which would be materially destinated to the interests of stockholders, Her Mejesty's Treasury will publish a notice in the London, Edithumph and Bellard Castrille, Immediately looking the amountments by the relevant Generation to Department of the plange, informing stockholders and offering them the light to require Her Mejesty's Treasury to nedeat that snock, For the purposes of this pergraph, repayment to excellent who secrets this right will be effected, on a bot choose by the Mejesty's Treasury and of any interest which has account of arthropic date on repayment and of any interests which has account will be calculated on the basic of the factor and applicable to the month in which repayment was place. A notice and calculated on the basic of the factor and captage to the end of the size and applicable to the month in which repayment was place. A notice affect on the basic replication of the security and explanation to the month in which repayment was place. A notice arms on the security and the security of the security and explanation of the security and explanation of the security and explanation. EU.

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Tenders must be for a misleuum of £100 agminal of Stock and for a

18. If the Index is not published for a month for which it is relevant for the perposes of this prospectus, the Bank of England, after appropriate constitution with the palevant Government Department, will publish a substrate index figure which shall be an estimate of the index figure which would have been applied to the month of payment, and such substitute index figure aftel be used for all purposes for which the scrual index figure which have been applied to the scrual index figure which have been relevant. The calculation by the Bank of England of the amounts of private analytic figures and the interest psychic on the basis of a substitute index figure shall be conclusive and binding upon all excluding the substitution of the scrual index figures which would have been applicable to the crossit of psymmen.

23. Her Majesty's Trussary reserve the right to relect truy tender or part of any tender and may therefore click to specionars less than the full announce of the Stock. Trussary was be malled in disposariling order of price and subpracts with he made to tenderers which treated are are or above the lowest price at which the algosty's Trussary docks from any sender should be accepted (the algoment price). As allowances will be made at the allotted or has, renders which the accepted and which are made at prices above the allotted are will be allotted in hat, existing made at the algorism price and the allotted or has, existing made at the algorism price and the allotted or has, existing made at the algorism price to the Governor and Company of the Sants of England, less Department.

I/We request that any letter of allotment in respect of Stock allotted to me/us be sent by post at my/our risk to me/us at the address shown below. SIGNATURE. of, or on behalf of, tenderer FT FULL POSTAL ADDRESS: POST-TOWN COUNTY POSTCODE

DIARY DATES

The second of the first own of particular to the second supportance and second-

Parliament

Commens: Broadcastiny Bill, second reading. Opposed private business.
Lords: Teachers' Pay and
Conditions Bill, third reading.
Channel Tunnel Bill, second

reading. Select committees: Environment—subject: pollution of the rivers and estuaries. Witnesses: Department of the Environment officials (Room 20, 4.30 pm).
Foreign Affairs — subject: British cultural diplomacy. Witness: Arts Council (Room 15, 4.30 pm). Public Accounts—subgett: commercial work.
Witnesses: Sir Patrick Wright
and Sir Brian Hayes, DTI
(Room 16, 4.45 pm).

TOMOBBOW Commons: Opposition debates on the problems and needs of the disabled and on women in the community. Motion on the Social Security (Payments on Account, Overpayment and Recovery) Regulation.

Lords: Advocates Widows and Orphans Fund Order Confirmation Bil, report, Chevening

Estates Bill, committee.
Criminal Justice (Scotland) Bill,
report. Debtors (Scotland) Bill,
report. Debate on the EEC
forestry policy.
Select committee: Private bill,
Freed (Room 5, 10,30 am) Essex (Room 5, 10.30 am),

WEDNESDAY Commons: Debate on a motion covering the Government's spending plans for 1987-88 to 1989-90. Motions on the Rate Support Grant (Scotland) Order and the Revaluation Rate Rebates Revaluation Rate (Scotland) Order,

Lords: Debate on the need or accurate employment statistics. Unstarred question on whether the Government is bills.

satisfied with the moral condi-tion of the tabloid press. Select committees: Trade and Industry—subject: motor com-ponents industry. Witness: the Rover Group (Room 15, 10.45 am). Employment — subject: skills shortages. Witnesses: skills shortages. Witnesses: UCATT, Federation of Master Builders, Building Employers Confederation, and the Chartered Institute of Building (Room 8, 4.15 pm). Public Accounts—subject: control over professional and technical staff; control over professional and technical staff; professional and technical star; control over nursing manpower. Witness: Mr L. Peach, DHSS (Room 16, 4.15 pm). Social Services — subject: problems associated with AIDS. Witnesses: British Medical Association and the Royal Collection of Markow (Room 21) College of Nursing (Room 21, 4.15 pm). Environment— subject: pollution of rivers and estuaries. Witnesses: Chemical estuaries. Witnesses: Chemical Industries Association; Confederation of British Industry (Room 20, 4.30 pm). Foreign Affairs — subject: British cultural diplomacy. Witness: Sir David Orr., chairman, British Council (Room 15, 4.45 pm). Joint Committee — subject:

private bill procedure. Witness: Chairman of Ways and Means (Roem 4, 4.30 pm). THURSDAY

Commons: Banking Bill. commons: Banking Bill, remaining stages.

Lords: Territorial Sea Bill, committee. Prevention of Terrorism (Temporary Provisions) Act 1984 (Continuance) Order 1987: motion for approval. Debate on the report of the Select Committee on Science and Technology on a full research and development. civil research and development. FRIDAT

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based are interims or finals. The si mainly on last year's timetable.

BOARD MEETINGS ASEA British Petroleum F. and C. Enterprise Tat. Questal Alexandria Trit:
River and Mercantile Trit:
Romney Trust.
Tribune invst. Trit.
Ward Holdings
interimes Daigety Elders 13CL Framilington For East Fand Goodhead Print TR City of London Trust

DIVIDEND & INTEREST PAYMENTS—
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Ancial Amer. Invet. Tet. Sport. 6cts
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Ascid. Numseppers. Sertioners' Hell Co., Ludgette Hill, R.C., 10-30
Delly Mall and Ges. Tet., Cermelite Hee., R.C., 12-90
Hardy's Brid. 12-90
Hortzon's Tavel. Stretchallen Hetel, Hapley Road. S'ham., 11-90
Morrette Hides., Ironmonders' Hell, Alderspate St., Barbican, R.C., 12-90
EOARD MEETINGS Courtney Pose
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DIVIDEND & INTEREST PAYMENTS—
Abboty Panels, 1.35
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FINANCIAL TIMES CONFERENCES

Pensions -The Time for Action

19 & 20 March 1987. London

For information please return this advertisement, together with your

business card, to: Financial Times Conference Organisation Mineter House, Annua Street, London EC4FI BAX telephone 01-621 1355

lax 01-623 8814

Trade fairs and exhibitions: UK

Boat, Caravan and Leisure Show (021-236 3366) (until February NEC, Birmingham Current International Automotive Parts and Accessories Trade Show (01-855 7777) (until February

17) Olympia February 17-20 The Which Computer? Show (01-388 9871) NEC, Birmingham February 22-24 London Pret Exhibition (01-385 1200); International Men's and Boys? Wear Exhibition (021-708 Boys' Wear Exhibition (021-705 6707); Junior Fashion Fair International (01-836 1833)

All at Olympia February 25-26 Measurement and Test Exhibi-tion — INSTRUMENTATION Wedding Ex-

March 34 USM Exhibition (01493 0000) Royal Kensington Hotel, W8 March 3-5 Business Telecom Exhibition (01-868 4466) Barbican Centre

March 14 Computers in Clothing Exhibition (01-467 7728) Harrogate March 7-8
British Chemists Exhibition—
ERFICHEM (01-444 1777)
NEC, Birmingham March 8-11
British Ski Trade Exhibition—
SKI-EX (0922 24661) Harrogate
March 11-13 Computers in Retail and Retail Technology Exhibition (01-222 9090) NEC, Birmingham

Wedding Exhibition (041 332 6776) G-Mex Centre, Manchester (0822 4671) Harrogate 6776)
G-Mex Centre, Manchester February 27-28
Cash and Carry Fashion Fair (01-727 1929)
Kensington Town Hall 2071) NEC, Birmingham

Overseas

Pebruary 21-25

Spring Fair (01-784 0543) Frankfurt February 25-March 3 Feoruary 25-March 3
International Fairs: Food;
Materials Handling and Warehousing; Packaging and Printing
(021-455 9600) Brno

International Fair for Shopfitting. Advertising and Selling
EUROSHOP (01-493 3893)

District Sports Equipment Exhibition (01-439 3964) Grenoble
March 9-14
International Innovation Exhi-International Innovation Exhibition (01-439 3964) Paris March 15-21 International Spring Fair (01-248 7013) Leipzig
March 10-19
International Spring Trade Fair
(01-977 4551) Vienna

Business and Management Conferences

February 17
Longman Seminars: Will drafting and inheritance tax (01-242
4111) Barblean Centre, EC2
February 17
Information for Pressy Groups Information for Energy Group; Oil price information (01-636 1004) 61, New Cavendish Street, W1 February 17 Financial Times: The London

Motor Conference—Manufactur-ing, Components and the After-market (01-621 1355)

Marrioti Hotel, W1

February 17-18

Crown Eagle Communications: UK Government contracting (01-242 4111) Selfridge Hotel, W1 February 17-19 IRRG: The London insurance market—the way forward (01-

236 2175) The Boyal Garden Hotel, W8 February 18-19
Flancial Times: Cable television and satellite broadcasting
(01-621 1355) Hotel Inter-Continental, W1

Parkway Hotel, Cwmbran March II February 19 CBI: Look Nordic (01-379 7400)

Centre Point, WC1
February 23
Longman Seminars: Process industries and the environment: Monitoring advertising perfusive and regulations (01-242
4111). Glaziers' Hall, SEI
Eabruary 24-26
Cayendish Conference Centre Cen Management Training Consul-tants: Successful managers in March 19-20 action (Leicester 27062)

February 24-28
Frost and Sullivan: Computer performance measurement applied to complex and shared disk environments (01-730 5438)
Cariten Tower, WI

February 25-26
McAvoy Wreford Bayley:
Eighth Annual Corporate Communications and Advertising
Conference (01-730 4500)
Park Lane Hotel, W1

February 36
Tolley Publishing Company:
Acquiring a private company
(01-686 9141)
Marriott Hotel, WI The Royal Institute of International Affairs: Korea and the UK: a broadening relationship (01-980 2233)

Chatham House, SWI March 4 CBI: Don't forget Aunt Agatha
—keep your small shareholders
informed (01-279 7402)
Centre Point, WC1

February 18 Longman Seminars: Pension CBI: Energy for business Fund Surpluses (01-242 4111) (Cardiff 32536) London Press Centre City Dialogue: Financial engineering in property (01-937 1548) Savoy Hotel, WC2

Marca is Campaign / Admap seminars: Monitoring advertising perform-ance—the annual review of the 2) FT Conferences: Pensions—T Leicester time for action (01-621 1355)

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

COMMERZBANK OVERSEAS FINANCE N.V. U.S.\$ 200,000,000

Floating Rate Notes Due 1993 in accordance with the provisions of the Notse notice is hereby m accordance with the provisions of the fedical in hereby given that for the six months period from February 11, 1987 to August 11, 1987 the Notes will carry an interest rate of 6:2% per amount with a coupon amount of U.S.\$ 314.24 on U.S.\$ 10,000,—and U.S.\$ 7,855.90 on U.S.\$ 250,000,—.

Frankfurt/Main, February 1987 COMMERZBANK



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WORLD STOCK MARKETS

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NYSE COMPOSITE CLOSING PRICES

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LONDON RECENT ISSUES

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FCREIGN EXCHANGES

Rumours and doubts surround the dollar

THE DOLLAR had a fairly quiet week, when the main factors were comments by Mr James Baker, US Treasury Secretary, and rumours about a meeting of Group of Five ministers to discuss currency prob-

Mr Baker gave an interview on US TV, and on the following day gave testimony before a Congressional committee. His remarks gressional committee. His remarks
were generally regarded as ambiguous, when perhaps Mr Baker was
trying to be all things to all men.
He declined to suggest an
appropriate rate for the dollar, but
also did not make it clear whether he regarded the US currency's fall

& IN NEW YORK

Feb 13	Clase	Previous Close
f. Spot	1.5290-1.5290 0.54-0.53 am 1 64-1.61 pm 5 65-5.55 pm	1.5172-1.5182 0.53-0.52 pm 1.61-1.58 pm 5.60-5.50 pm

Sterling index						
-		Feb. 13	Previous			
8.30	am	68.7	68.5			
9.00	am	687	68.6			
10.00	am	68.7	68.6			
11.00	201	68.7	686			
Noon		68.7	د8.5			
1.00	grin	68 7	68.5			

CURRENCY MOVEMENTS

February 13	Bank of England Index	Morgan Guaranty Changes
Sterling U.S. Dollar Canadian Dollar Austrian Schilling Belopan Franc Damsh krone Deutsche Mark Swist Franc Guilder French Franc Lira Yen	68.8 104.3 77.8 139.4 100.7 94.1 148.3 170.8 135.6 72.3 48.6 209.3	-25.3 -2.7 -10.9 +10.7 -3.6 +22.6 +21.1 +15.0 -12.1 +36.4

CURRENCY RATES

	2	Alghes	Unk
Sterling	5.5 8.20 4 81 ₂ 7 3.0	0.831579 1.2568 16.1457 47.4979 8.67276 2.29449 2.59108	0.742445 1.12547 1.51459 14.5243 42.7230 7.78685 2.06325 2.32840
French Franc Isalian Lira Japanese Ven Spankh Peseta Swiss Franc Greek Drach Irish Punt	91 ₂ 22 3.0 8 71 ₂ 3.5 201 ₂	N/A 194.442 8.84596 162.203 8.21383 1.94252 N/A 0.862675	6.56247 2468.20 173.110 7.90732 145.806 7.34718 1.74146 151.425 0.775426

OTHER CURRENCIES

Feb. 13	£	5
Argentias	2.0950-2.1025	1.3800-1.3840
Arraralia	2.2775-2.2805 26.8945-27.0475	1.5040-1.5050 17.7170-17.7260
Brazil Finland	6.9190-b 9390	4.5630-4.5650
Greece	201 90-205 44	193.12-135.37
Hong Kong	11.8265-11.6420	7.7970-7.7990
kerea (Sik) .	111.10* 1294.20-1305.95	73.25* 852.70-860.50
	0.42010-0.42080	0.27680-0 27700
Levembourg	57.60-57.70	37.85-37 95
Malaysia	3.8665-3.8765	2.5450-2.5500
N. Zealand Saudi Ar	2.7780-2.7855 5.6925-5.6980	1.6340-1.8375
Singapore	3,2485-3,2550	2.1405-2.1425
S. 41. (Cm)	3.1678-3 1890	2.0920-2.0965
S. Af. (Fn)	6.4620-6.7490 52.90-52.20	4.2555-4.4445 34.95-35.05
Talwag U.A.E	5.5750-5.5800	3,6725-3,6735
	Feb. 12 Australia	
" Selina rate		F 7-1216-F-9000
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FORWARD RATES ACAINST STERLING

	Spor	iuru T	3 mus	d raths	12 mths
US Dollar D-mark French Fr Swra Fr. Yen	9,2700 2,3525	2.7680 9.2534	2,7379 9,2215 2,3106	9.1939 2.2741	2622 9.1311 2.2066
2715 - 2316					

imbalance in trade between the US

and its major trading partners. Uncertainty about the US Administration's attitude towards the dollar created nervousness, and brought the currency back after a period of recovery on encouraging

ding the weekend at home. This put lar's recovery from its recent lows,

The main question hanging over the dollar is whether the market's attitude has changed, and the currency will now move up on good economic news, but fail to react to disappointing figures.

economic news.

Japanese officials appeared to be keen to hold a G-5 meeting, but by the end of last week Mr Kiichi Miyazawa, Japanese Finance Minister, had to admit he was spending the proposed at home. This nut.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 13	% change from central rate	% change adjusted for divergence	Divergence lunit %
elgian Franc amen Krune draute D-Mark ench Franc etch Gulider ish Punt alian Lira	42,4582	42,7230	+0.62	+0 62	= 1.5344
	7 85212	7.78685	-0.83	-0 83	= 1.6404
	2 05853	2.06325	+0.23	+0.23	= 1.0981
	6,90403	6.86247	-0.60	-0.60	= 1.5674
	2 31943	2.32840	+0.39	+0.39	= 1.5012
	0,768411	0.775426	+0.91	+0.91	= 1.6684
	1483.58	1468.20	-1.04	-1 04	= 4.0752

EXCHANGE CROSS RATES										
Feb. 13	£	S	DM	YEN	F Fr.	S Fr.	H FI.	Lira	C 5	B Fr
<u>r</u>	1. 0.658	1.521	2.783 1.830	233 8 153 7	9.270 6.097	2.353 1.547	3.138 2.063	1978. 1301.	2,044 1,344	57 65 37 92
DM	0.359	0 546	l.	84.01	3.532	0.845	1.128	710 9	0.735	20 72
YEN	4.278	6 505	11.90	1000.	63.PE	10.06	13.42	8462	8.745	246 b
F Fr.	1.079	1 640	3 002	252.2	10.	2.538	3.385	2134.	2.205	62.19
S Fr	0.425	0.646	1.183	99.36	3.940	1.	1.334	840.8	0.869	24.51
H FL	0.319	0.485	0.887	74.50	2 955	0.750	1.	630.4	0.652	18.37
Ura	0.506	0.769	1.407	118.2	4.687	1 189	1.586	1000.	1.033	29.15
C S	0.489	0.744	1.361	114.4	4.535	1.151	1.535	967.6	1.	28.20
B Fr.	1 735	2 637	4.827	405.5	16.08	4.081	5.442	3431.	3.546	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

IRO-CURRENCY	INTEREST	RATES
**********	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	

Feb. 13	Short term	7 Days' actice	One Month	Three Months	Six Months	One Year
Sterling	10%-11% 56% 61%-64 51%-53 44% 81%-64 9-12	10 2-11 6 6\4-6\8 6\4-7 5\6-5\6 1\16-1\16 4-4\16 8\4-8\16 7\4-8 8-8\13 4\7-4\6 1\16-1\16 1\16-1\16 N/A	11-114 61-616 71-714 54-314 4-414 81-813 94-101 75-71 414-414 114-114 31-316	10 2-11 6 2-6 5 7 5-7 2 5 4-5 3 4 5-4 5 10-10 2 7 3-7 8 7 3-7 8 7 3-7 3 10-11 4 3 3-3 5	10(1-10)) 6.6-6.6 7.6-7.6 5.6-5.6 3.6-3.6 4.4-6.6 84-8-6 10-10-2 71-74 71-84 49-4-6 10-11-1 3-6-31-2	105-1014 65-612 75-714 51-516 413-414 413-415 10-1012 712-714 712-8 412-415 10-11 34-316
Long-term Eu	rodollars: Tw	o years 611-7	12 per cent: d	fires years 7-7	L ger cent: [our years 7%

7% per cent; five years 713-7% per cent

Pound Spot—forward against the Pound

Feb. 13	Day's spread	Close	One month	P.A.	Three menths	". P.L
US	1.5120-1.5210		0.55-0.55 c pm		1 65-1.60 pm	4,27
Carrada	2.0363-2.0456		0.61-0.51 c pm	3.29	1.70-1.55 pm	3 18
Neth Lands	3 134-3.144	3.134-3 144	1 կ-1 կ c բա	5.26	41 ₂ -41 ₂ pm	5 42
Seigium	57.37-57.76	57.60-57.70	15-10 c pm	2.60	46-37 pm	2.88
Denmark	10 464-10.504	10.484-10.494	120m-5 tre this	-0.43	17g-par pm	0.65
Treland	1.0420-1.0455	1.0430-1.0440	0.15-0 27 p drs	-2.41	0.49-0.83 dis	-2 53
W. Germany .	2,7712-2.784	2.774-2.784	15-15 թք բար	6 47	45-44 pm	6.47
Portugal	214.95-216.75	215.84-216 74	73-153; 64	-6.27	248-375 dis	-5.76
Spain	195.50-196.80	196.41-196.69		-1.86	65-97 dis	-165
Italy	197112-198112	19771-19781:	3-par lire pm	0 91	4-par pm	0.40
Norway	10.624-10.664	10 644-10 654	212-376 ore dra	-303	105-115 dis	-4.18
France	9.2312-9.2713	9.261-9.2712	2-1 ½ c pm	2.18	pm دِا4-رِآجَ	216
Sweden		9.90-9 91	par-lie ore gis	-0.68	4pm-14 dis	-0.29
Japan	2.324-2.344	2.334.2.344	14-14 s pm		374-374 pm	6.42
Austria	19.48-19.58	19.55-19.58	10-8% gra pm		291 - 27 4 pm	5.80
Switzerland	2.344-2.354	2344-2354	112-114 c pm		41g-41g pm	7.23

/for convenions in the convenience of the convenien

Feb. 13	spread	Close	One month	p.a.	months	p.3.
UKT	1,5120-1,5210	1.5200-1.5210			1.65-1.60 pm	4.27
Irelandt	1.4502-1.4575	1.4555-1.4565	D.88-D 80c pm	6,94	2.68-2.56 pm	7.22
Carada	1,3422-1,3460	13415-13425			0 36-0.41 drs	-1.14
Netnerlands .	2.0600-2.0720	2.0630-2.0640	0.18-0.15c pm	0.96	0.57-0.52 pm	1.05
Belgiern	37.83-37.97	37.85-37.95		-1.58	12-16 #1	-1.48
Denmark		6.8912-6.90			6.55-7.45 pm	-4.05
W. Gensary .	1.8245-1.8360	1.8290-1.6300				2.17
Porquest name	1414-14212	14114-14214	100-140c dis	-10.12	330-400 dis	-10.26
Spain	138.93-129.62	129.20-129.30	55-65¢ dis	-5.56	180-195 dis	-5.79
italy		1300%-1301%			111 ₇ -13 dis	-3.7b
Norway	7.00-7.0412	6.06-4-6.07-4			14.80-15.50ds	-8.63
France		6.0912-6.10	0 95-1.15e dis	-2.06	3.15-3.55 dis	-2 20
Sweden	6.504-6.544	6.514-6.514	245-295 om dis		7.20-7.80 ds	-4.60
السامسة الجوافل	153.40-154.10	153.65-153 75			0.84-0.79 pm	2.12
Austria	12.8412-12.9114	12.864-12.864	1.90-1.50grd pm		5 25-4.25 pm	1.47
Switzerland	1.5420-1 5535	1.5475-1.5485	0 39-0 34c dis	2.82	1.14-1.09 pm	2 88

vidual currency Belgian rate is for convertible francs. Financial franc 38.25-38.35.

DOLLAR SPOT-FORWARD AGAINST THE DOLLAR

UK†	1,5120-1,5210	1.5200-1.5210			1.65-1.60 pm	427
relandt	1.4502-1.4575	1.4555-1.4565	D.88-D 80c pm		2.68-2.56 pm	7.22
Carada	1,3422-1,3460	13415-13425			0 36-0.41 drs	-1.14
Netnerlands .	2.0600-2.0720	2.0630-2.0640	0.18-0.15c pm	0.96	0.57-0.52 pm	1.05
Belgiern	37.83-37.97	37.85-37.95	4-ét dis		12-16 #1	-1.48
Denmark	6.884-6.934	6.8912-6.90			6.55-7.45 pm	-4.05
W. Gentany .:	1.8245-1.8360	1.8290-1.6300				2.17
Portugal	1414-14212	1411-1421	100-140c dis	-10,12	330-400 dis	-10-26
5pain	138.93-129.62	129.20-129.30			180-195 dis	-5.79
Laby		1300%-1301%	314-414lire dis	-3.45	111 ₇ -13 dis	-3.7b
Vorway		6.06-4-6.07-4	4.30-5 00ore dis	-7,94	14.80-15.504	-8.63
France	6.08-6.11	6.0912-6.10	0 95-1.15c dis	-2.06	3.15-3.55 dis	-2 20
Sweden	6.504-6.544	6.514-6.514	245-295 om dis		7.20-7.80 ds	-4.60
سيجيب الهوقا	153.40-154.10	153.65-153 75	0.27-0 23 ₇ pm		0.84-0.79 pm	2.12
Austria	12.8412-12.9114	12.864-12.864	1.90-1.50grd pm	1.58	5 25-4.25 pm	1.47
Switzerland	1.5420-1 5535	1.5475-1.5495	0 39-0 34c dis	2.82	1.14-1.09 pm	2 88

MONEY MARKETS

Bulletin encourages easier rates

INTEREST RATES eased on the London money market on Friday after a week of little movement. Even on Friday three-month inter-bank only moved down to 11-10% per cent from 11-10% per cent, and there was no suggestion of an early cut in clearing bank base rates. Earlier in the week at least one clearing bank had recarded 10% per clearing bank had regarded 10½ per interest r cent as a favourable level to issue this year. FT LONDON INTERBANK FIXING

BRUSSELS

AWSTERDAM.

UK clearing bank base lending rate 11 per cent since October 15

one-year sterling certificates of deposit. This led to comments that there was no great confidence that interest rates would fall very much

(11 00 a.m Feb. 13) 3 months U.S. dollars 6 months U.S. dollars Offer 6 12

BANK OF ENGLAND TREASURY BILL TENDER

	Feb 13	Feb 6		Feb. 13	Feb 6
Bills on offer	£100m £97.39	£100m £530 1m £100m £97 415 94%	Top accepted rate of discount Average rate of discount Average yield Amount on offer at next Lender	10 4392° 10 72°a	
WEEKLY C	lange in v	YORLD	INTEREST RATE	s	
LONDON	Feb 13	change	NEW YORK	Feb 13	cliange

LONDON			_ NEW YORK L		1
Base rates	11	Unchid	Prime rates	715	Unchie
7 day intertank	11	-4	Federal Funds	6	
3-month (merbank	1012	+.4	3 Milt Treasury Bills	5 77	-005
Treature 8-II Tender	10 4392	0738	6 Mith Treatury Bills	5 86	-0.07
Baro I Bills	107	Unch d	3 Mile CD	6.20	+0 17
Band 2 Bills	1012	Unchid	FRANCIS	•	
Bond 3 Polls .	i0'a	Unch d	FRANKFURT		
Band 4 Bills	10/2	Unchia	Lombard	50	Unch'd
3 Van Tre Sury Bill	10/2	+ 1	One inth Interbank	3 725	+0 075
1 Min Barn Bills	ioi	-7	Three month	3 875	-0.05
3 Mrn Bans Bills .	10%	- 0	PARIS		l l
70k+0		ŀ	Intersention Rate	8 00	Unch a
One month Bills	4 34375	+0.0625	One mith luterhank	8)5	Uncird
Trees mouth Bally	4.78125		Three month	g L	Uncited

London barro 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and barro 4 bills 64 to 91 days. Rates quoted represent/Barris of England burring or selling rates with the money market. In other centres rates are generally deutsit rates in the domestic money market.

DUBLIN

Sterling held reasonably firm, in spite of nervousness about oil prices, and the easier trend in rates was also a reaction to the Bank of England Quarterly Bulletin. The central bank called for a cut in the UK public sector borrowing requirement, which in turn should lead to lower interest rates.

Confidence was also boosted because the high level of govern-

MONEY RATES

(4 pm) Prime rate Broker Ican rate	71g Ti 71g Ti 71g.71g Si 6& Or	re rearch re morth re morth re year		588 Firey 595 Secen 501 10 year	year	6
Feb 13	Overnight	One Month	Two Months	Three Months	Su. Months	Lombard Interventi
Frankfuri Paris Lurich Amisierdam Tokyo Milan Brussels Dublio	81 ₉ -81 ₄ 5-11 ₅ 5-2 ₆ -51 ₂ 4-21875	365-380 812-816 312-314 512-516 434375 1116-1156 716-73 144-1412	380-3.95 813-813 — — — — — — ————————————————————————	3.90-4.05 82-8 314-32 514-515 4 28125 111-115 74-72 144-1411	3 90-4.10 8,1-6,2 — — — — — — — ——————————————————————	50 8 - - - -
LONDON MON	EY RATI	ES				

election.

LONDON MONEY RATES							
Feb. 13	Over-	7 days notice	Month	Three Goults	S:- Manths	One Year	
Interbasis Stevinos Cox. Local Authority Deposits Local Authority Bonds Discount Market Deposits Company Deposits Finance House Deposits Treatury Bills (Boy) Bank Bills (Buy)	12-10% 10% 11%-10%	11/2-10/2 10/2-10% 10% 11%	111, 11 11, 101; 11-10; 11-10; 110; 111, 111; 101; 101;	11 10% 10% 10% 10% 11% 10% 11 10% 10% 10	1012-1012 1012-102 1013-102 11 1014 1014 1012	10½-10% 10;;-10\} 10½-10% 10½-10% 10½ 10½	
Fine Trade Bills (Buy) Dollar CO:	_	=	11 62-515 6%-615	11. 625-620 63-64;	10(2 6,25-6 20 6)2-6()	6.25-6.20 6), 6),	
ECU Linked Deposits		I –	712-718	712-738	717	71, 71	

Treasury Bult (sett); one-month 10% per cent; three-months 10% per cent. Bank Bult, (settl); one-month 10% per cent, three months 10% per cent. Treasury Bults, Average tender rate of discount 10.4392 per ECGO Fixed Finance Scheme IV reference date January 1 to 50 sinclusive); 11.098 per cent. Local Authority and Finance Houses seven days notice athers seven days fixed Finance Houses Base Rate 111; per cent from February 1, 1987 Bank Depost Rates for summ at seven days motice 4.35-4.375 per cent. Gentificates of Tax Depost (Series 5). Depost £100,000 and over held under one month 10 per cent; one-libre months 10% per cent; three-months 10% per cent; three-months for cent, three-months for cent, three-months for cast 512 per cent. Beginning for cast 1512 per cent.

There was little doubt the dollar as virtually over, or expected to see a further decline to correct the way to Paris.

and that another sharp fall was prices rose 0.6 per cent, against possible.

expectations of 0.4 per cent to 0.6 failed to react strongly to last per cent.

week's US data. A record fall of 5.8 per cent in January retail sales

inventories fell 0.5 per cent, com-pared with forecasts of a fall of 0.4 per cent to 0.7 per cent. Producer

March June Sept. Dec. Estima Previo 10% N E100.0

PT-SE (25 pt

nalled volume 525 (%71 ious day's open ma. 3,953 (5,900)

93.59 93.62 93.62 93.57 93.45

93.20 93.25 93.16 93.07 92.97 92.94 92.84 92.74 92.75 92.75 92.61 ated volume 7,107 \ 10,86.51 bus day's open int. 32,209 \ (32,025)

CURRENCY FUTURES POUND_S (FOREIGN EXCHANGE)

MM-STERLING Su per £

LIFFE-STERLING E25,000 # per E

Spot 1-mth. 3-mth. 6-mth. 12-mth. 1.5205 1.5151 1.5042 1.4902 1.4640

ment revenues is expected to pro-duce a cut in income tax in next month's Budget, and increase the chances of another Conservative

government in a possible election

On the other hand there was little

expectation that base rates would be cut until the Budget, and possibly

not until nearer the time of the

93.54 93.54 93.56 93.56 93.49 93.38

Pres. 93.50 93.50 93.49 93.42 93.42 93.77

Barclays Bank and stockbrokers pushed the dollar down, but there James Capel agreed the weekly was no attack on the DM 1.81 level. money data from the Federal Several economic figures were Reserve explained why there had published Friday, but these were not been a tightening of monetary near to the general range of forecasts and had little impact. not been a tightening of monetary policy, but Capel suggested this did not explain why the Federal January industrial production rose 0.4 per cent, while expectations ranged between a flat figure tions ranged between a flat figure prised when the Fed failed to add to a rise of 0.3 per cent. Business liquidity to the New York banking

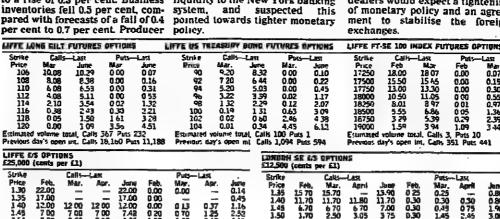
The most significant figure to be released this week is likely to be revised fourth quarter US gross national product growth on Thursday. According to a survey by Money Market Services this will be revised up to 2.0 per cent from

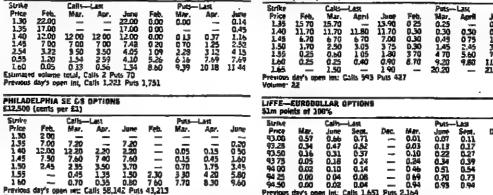
The impact on the dollar is

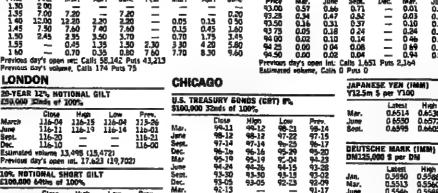
the disappointing level of 1.7 per cent published last month.

For British Gas see London Share Service (Oil & Gas). IXED INTEREST STOCKS

-	view o	f the 1	US atti	tude t	arket's owards ent few	FIXE	D II	ITE	RES'	T S
g	dealers	s would	expec	t a tiel	itening	Issue Price	Amount Pard	Latest Renging	198	b/87
S	or mon	etary p to sta	ooncy :	ind an	agree- foreign	£	UP	Date	High	Low
_	exchan	ges.		ING :	ioreign.	101.61 6100	£10 €50	19/3 15/5	124	11
1	LIFFE FT	SE 100 I	NDEX FU	TURES O	PTIONS	699.237	F,P.		52 102	100
	Strike	Calls- Feb	-Last No	Puts-	-Las: Mar	45	F.P.	=	100 1191 ₂₀	11012
	17250 17500	18.00 15.50	18 07 15 45	0.00	0.07 0.15	"RIG	HTS	" O	FFE	RS







June Sept.	116-11 116-20	116-19	126-14	116-01 116-21	Jane	99-11 98-12	99- <u>12</u> 98-12	98-21 97-22	98-14 97-15	Sopt.	0.
	116-10 i volume 1 day's open	3,495 (15		116-00 2)	Sept. Dec. Mar	97-14 96-16 95-19	97-j4 96-16 95-19	%-25 %-29 %-04	96-17 95-20 94-23	DEUTS DM125,	
10% NO £100,000	TIONAL SI	HORT GIL	.T		June Sept. Dec.	94-24 93-30 93-05	94-26 93-30 93-05	94-15 93-15 92-23	93-28 93-02 92-09	Jan. Mar.	0.5 0.5
March	Close 99-23	High	Low	Prev. 99-17	Mar. June	92-13 	_	=	91-17	June	0.
	day's open		561		Sept.	FASURY BI	LLS (IN)		90-07	THREE.	
THREE-I	AONTH ST	ERLINE			51m poi	iets of 1004	-			Mar.	ų
	Close	High	Low	Prev.	Mar.	Close 94.28	High 94.30	94.20	Prev 94.18	June Sept.	9
March June	89.26 89.70	89.28 89.73	69.24 89.67	89.63	June Sept. Dec.	94.34 94.36 94.32	94,36 94,36	94.28 94.33	94.23 94.25	Dec.	ģ
Sept. Dec. March	59.90 59.94 59.89	89.91 89.95 89.86	89.87 89.91 89.86	89.82 89.88 89.82	Mar. Jun	7.2	94.34	94.28	94.20	June Sept.	9
June	89 78 1 Volume 2	-	_	89.75	Sept Dec	93.69	93 65	Ξ	93.55	Dec.	9
Presidus	day's open			"	SWISS I	FRANC (IM	M)			STANDA S500 th	
	MERCHI DE	polet			SFr125,0	000 5 per 8	Fr	Lea	- Constant		نا

0 6525 0 6575 0.6512 0.6527 0 6509 0 6624 0 6565 0.6575 0 6610 0.6630 0.6610 0 6615

Low 0 5543 0.5511 0.5543 Monday 8 June Wednesday 24 June Corporate Communications Tuesday 1 September Monday 19 October World Telecommunications 93.46 93.46 93.47 93.47 93.24 93.24 93.04 92.81 92.58 93.42 93.41 93.40 93.32 93.17 92.98 92.75 92.52 Monday 2 November or your usual Financial Times representative. The content size and publication dates of Surveys in the Financial Times are subject to change at the discretion of the Editor."

Low 0,6508 0.6548 0.6595

This announcement appears as a matter of record only.

Wednesday 29 April

February, 1987

Mobile Communications

Computers in Business

Refurbishment

Office Equipment



£100,000,000

Tender Panel Facility Underwritten as to

£80,000,000

Arranger

UBS - Phillips & Drew Capital Markets Group

Lead Underwriters

Banque Paribas (London)

Deutsche Bank Aktiengesellschaft

Union Bank of Switzerland

Underwriters

Bank of America NT&SA **Credit Suisse**

The Mitsui Bank, Limited

The Sumitomo Bank, Limited

Nomura International Finance ple The Taiyo Kobe Bank, Limited

Barclays Bank PLC

The Fuji Bank, Limited

The Tokai Bank, Limited

Additional Tender Panel Members Amsterdam-Rotterdam Bank N.V.

Cater Allen Limited Crédit Commercial de France

Alexanders Discount p.l.c.

Samuel Montagu & Co. Limited The Saitama Bank, Ltd.

Moscow Narodny Bank Limited J. Henry Schroder Wagg & Co. Limited

Societe Generale Alsacienne de Banque

Union Discount Company Limited

S.G. Warburg & Co. Ltd.

Agent Union Bank of Switzerland

Open Market Tender Agent

Phillips & Drew Limited

Commerzbank Aktiengesellschaft The First National Bank of Chicago

FINANCIAL TIMES SURVEY

BANKING, FINANCE AND INVESTMENT

Now that they have become the world's biggest lenders, Japanese financial institutions may be entering a period of consolidation overseas. The climate at home is changing too.

Towards a season of domestic horsetrading

By Ian Rodger

THE RAPID advance of Japan's financial institutions in the past two years into world market leadership positions has stun-ned bankers and securities

to publishe

isted belg

Thrumagy.

TO STORING

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No Participation

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H-chall 17712 Limited.

Linked

has become a bigger centre for air. euro-currency dealings than Cl

ities towers above all its rivals
with mammoth pre-tax profits how fast things have moved,
last year of Y465.7bu (#3bu).
consider the problem of brief-

Financial industry leaders around the world can only look on in trepidation, wondering how and where the immensely capable and powerful Japanese

By the third quarter of last year, Japanese banks had become the world's biggest lenders, accounting for nearly a third of the international assets of banks reporting to the Bank of International Settlements. This put them far ahead of the US banks, which now have less than a 20 per cent share.

Meanwhile, Japanese banks Meanwhile, Japanese banks Momentons structural changes, and securities companies have which will affect the competalso become leaders in the tive position of all Japanese Eurobond markets, and Tokyo financial institutions, are in the financial institutions, are in the

Euro-currency dealings than London.

Helped by the surge of the yen, Japan's four largest banks are now also the world's four largest, while Nomura Securities towers above all its rivals.

ing a hypothetical leading Tokyo banker who has just returned from three years of total retreat in a Buddhist

monastery.
Since he left, interest rates on large time deposits have been freed from government coutrol, causing rapid growth in the money markets where there are new certificates of deposit, money market certificates, bankers' acceptances and short-term government bonds. Controls on yen-denominated foreign lending and on foreign investing by large institutions have been largely abolished, leading to the establishment of huge euroyen markets and, late last year, a Japanese offshore

market.
Several foreign banks have been allowed by the Ministry of finance to open securities affiliates, thus breaching the legal barrier between banks and securities companies. City banks have developed sophisticated swap systems to enable



them to raise long-term funds, thus breaching the barrier between long and short-term banks. Leading banks have opened informal representative offices in Tokyo of their Lon-don-based securities branches in an attempt to get into the local securities business. A regulatory framework has been introduced to cover the investment advisory sector. The

the big changes are yet to come.
They include:
Removal of controls on interest rates on small deposits, including those taken by the

Post Office;
• Creation of corporate bond and commercial paper markets; • Removal of arbitrary divisions between banks, and between banks and securities companies; and the
Opening up of the Stock
Exchange to general member-

ship and the removal of fixed The changes achieved to date

have been largely painless and, for most participants in the system, highly beneficial. However, each of the big issues yet to be dealt with involves restrictive practices that have been vital to the health of many banks and securities dealers. been introduced to cover the investment advisory sector. The tax-free savings system is about to be abolished.

It is a staggering list, but it also serves to emphasise that the birg charge at the total the high sectors. No mura's profits, for example, might be rather less impressive if the Tokyo Stock Exchange's fixed commission also serves to emphasise that

system were abolished. Similarly, the Post Office might have difficulty hanging on to its huge one-third share of total national savings if it had to compete for funds on the basis of market rates. market rates.

As each one of these issues is dealt with, there will be screams of agony from the parties that are going to be injured, and so it will become increasingly difficult to achieve agreement. The higher was so agreement. "The higher you go, the steeper it gets," Mr Toyoo

Gyohten, the Vice-Minister of

Finance for International Affairs, says calmly. However, Mr Gyohten leaves no doubt of the Government's commitment to reform, "The take away the large and highly distinguished by quality, not by any special rules," he said in a recent Financial Times interview. And he sees deregulation in the context of important social changes taking place in more companies to issue unserving the sufforce of the corporate bond market, which is now likely to take place this spring. The problem with this development is that it will take away the large and highly profitable collateral-related activity carried out by banks. It is not clear what, if anything, the banks will get in return for accepting the authorisation of more companies to issue unserving the corporate bond market, which is now likely to take place this spring. The problem with this development is that it will take away the large and highly profitable collateral-related activity carried out by banks. It

in the context of important social changes taking place in Japanese society. "So far, we have kept people and corporations away from making their own risk choices." Increasingly, they will be expected to make their own choices.

It is difficult to predict exactly how the deregulation process will proceed but, based on the experience of the past three years, things will probably happen more quickly than most people expect. A momentum has been built up and, to some extent, market forces and some extent, market forces and the insenuity of money mana-

That seems to be the case, for International example, with the opening up of

Continued on page 3

Famous names in bloom above the Ginza commercial and entertainment heartland of Tokyo

combents

been a surge in the value and volume of business, and the earnings picture is bright
warmment bonds and futures: The
director of trading at one of the big
four thinks the long bond primary
market should have an auction system.

mestic corporate bonds: The world's leading creditor nation remains a

substantial importer of capital. No pe: Novelty has come from ven-to

yens especially popular an industrial companies who long-term loans at high fixed

that, in the long run, the MoF will pull a substantial share of bond business back to Tokyo

estment: The huge growth in savings obliges institutions to push more money abroad

tion reveals potential threats to

six foreign members. The exchange blames lack of space

leswomen: Their numbers haw Increased since they were first employed to inspire public confi-

Foreign banks: Old hands and newcom ers agree. Once the last regulator obstacles go, there'll be no room for

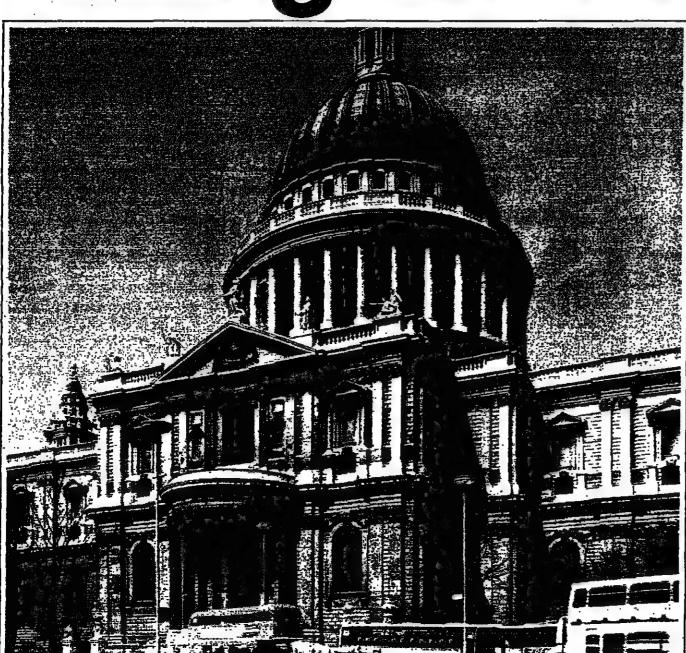
offshore market: Many banks are disappointed in its development so far, though senior men who ba it take a more relaxed view

uign securities houses: After the British, the Americans are flooding

replaced by "new opportunities" tell banking: Those able to move quickest are adapting best to liberthe air. Many banks and houses are

affles: Bank of To Trust and Banking rying aways FT writers in London and New York assess the strength of the Japanese presence 10

Sign of the times



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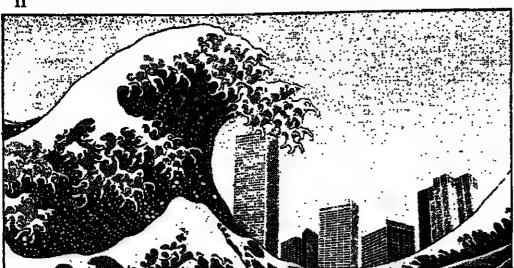
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Domestic securities houses

Earnings outlook remains bright

for the securities

While the banks look on jealously at the process of securitisation—at present securitisation—at present roughly I per cent of Japan's banking deposits, worth Y5.6 trillion (million million) or \$37bn, are being switched each year into the securities mar-kets—they are prevented by Japan's version of the Glass-Steagall Act from following the

houses have soared. In the year ended last September, net in-come of the big four—Nomura, Daiwa, Nikko and Yamaichi—

Daiwa, Nikko and Yamaichijumped by an average of some
80 per cent.
The biggest, Nomura, showed
a net profit of Y150,65n (about
\$15n) and on the back of the
freakish earnings multiples now
being seen in the Japanese
stock market its market capitalisation has advanced to awetalisation has advanced to awesome levels: recently it was worth over \$30bn.

Last autumn's commission rate cuts on large equity trans-actions, on deals of Y10m or more, were a response to the surge in profitability.

The big four estimated that the changes would trim their commission income by 12 per cent in the current financial year. But such has been the surge in value and volume of business that the earnings pic-ture continues to look bright.

The banks cannot enter the securities business directly in Japan, being restricted to 5 per cent holdings in securities com-panies, but nevertheless they

ARTICLE 65 of the Japanese are lining up associated houses securities Exchange Law is currently proving the basis of a banks and their affiliates can be a secure of the security and the secur work quite closely together, even if the direct financial links ean only be loose.

In domestic terms it seems unlikely that Section 65 will be substantially amended in the foreseeable future, whatever the frustration of the banks, but international developments are generating some intriguing reg-ulatory headaches.

Most Japanese financial inmost Japanese injancial institutions are eagerly joining in the financial free-for-all which is permitted elsewhere, especially in London, Many Japanese banks have securities Japanese banks have seathfules operations in Europe, and Nomura (and now Daiwa) are establishing banking sub-sidiaries in London.

But these international opera-tions are severely restricted in what they can do back home in Japan, where rigid separation applies. The Japanese are now starting to realise that this may be putting them at a disadvan-tage in relation to foreign banks and securities firms,

While non-Japanese continue While non-Japanese continue to fume about the lack of re-ciprocity in Tokyo, especially in areas such as membership of the Tokyo Stock Exchange, the Japanese are concerned that foreign banks are obtaining securities liceness in Japan in rapidly increasing numbers.

This is being done under cover of the legal device that their er of the legal device that their securities branches are only 50 per cent owned by the bank in question, with sleeping shareholders such as BP or Ciba-Geigy being wheeled in to provide non-banking support to comply with the letter of the law.

DECLARED CAPITAL OF SECURITIES COs. (bn YEN)



The prospect of American commercial banks like Morgan Guaranty being granted securities branch licences (Morgan's application is said to be almost through the pipeline) is upsetting the securities houses. They argue that they are not allowed to be banks in the US.

Japanese banks are also watching the situation closely. Why should not their European securities subsidiaries be allowed to set up in Japan under the same 50 per cent-owned legal device that the foreign
banks are being permitted by
the Ministry of Finance to

The securities houses have a slightly ambivalent attitude here. In setting up banks in Lon-don (Nikko and Yamaichi also have applications pending) they are seeking a wider. Inancial

They want to be able to provide clients with the whole range of financial services—although, of course, they will not be able to do this in Tokyo. This restriction might seem a little irksome for them.

However, the securities houses have far too much to lose domestically to want any major changes in Article 65, although the ban on dealing in foreign

the ban on dealing in foreign exchange, an exclusive banking

preserve, is proving irksome and has no parallel in the US under Glass-Steagall).

Meanwhile, the leading secur-

ities houses' profits are being ploughed back into extensive computerisation programmes, ranging from high-powered mainframe installations and global information technology networks to the provision of laptop personal computers to thousands of retail salesmen.

House-to-house selling is still of fundamental importance to of fundamental importance to the Japanese securities houses, despite the gradual institutionalisation of the market. Personal computers for salesmen will offer the opportunity for instant portfolio valuation and appraisal.

But only the big houses will be able to afford the latest technology, creating the probability that the securities industry will become still more polarised as the small brokers lag behind.

There is certainly scope for rationalisation, with more than 200 securities companies still registered in Japan, despite a gradual concentration over the

years.
The securities companies can the securines companies can be divided into three tiers. After the big four, the second tier of a score or so includes a number of houses that are satellites of the banks, and it can be expected to the banks. pected to grow as the banks attempt to upgrade these associ-

This sector certainly will not be short of capital, but the same may not be true of the third tier of small firms, which could come under significant

One particular challenge is the need to provide inter-national products to the domes-

flew from Japan increasingly spills overseas. This applies especially to institutional clients, who are being targeted by foreign securities firms.

The big four all have considerable international networks (with perhaps 10 per cent of staff resident abroad, and overseas profits, depending on definitions, of perhaps 15 per cent of the total). Even so, coverage is patchy.

age is patchy. Second-tier firms face considerable problems in this area, which is a reason for thinking some of them may be driven more closely into the orbits of banks or other institutions.

One possibility is that some of the foreign securities com-

One possibility is that some of the foreign securities companies may wish to buy-or at any rate take stakes in—the middle-ranking domestic houses, which would allow them to graft international expertise on to the domestic sales network provided by the Japanese broker.

broker.

The possibility has certainly been looked at by a number of foreign securities firms, although no deal has been struck so far. Many of the suitable Japanese houses are under the protective umbrellas of the big four or the banks; others are family businesses which might feel a sense of shame at giving up their independence; and the risk of culture clashes would have to be carefully analysed.

In any case, the securities in-

have to be carefully analysed.

In any case, the securities industry has been so prosperous that hard choices have not had to be made. Maybe tougher conditions at some stage in the future will precipitate action, but the boom in the markets does not suggest any early pressure.

Barry Riley



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The hend trading floor of the Tokyo Stock Exchange,

Government bonds and futures

Plea for auction system for rates

Japanese government bond market turned over some Y10 trillion (\$85bn), not counting another Y5 trillion traded through the interbroker market and an underlying Y10 trillion traded through the futures market.

Add all that together, and a daily turnover of some Y25 trillion shows how big the government bond market has become, spurred by the desire of institutional investors to trade in order to boost the flagging returns on their bond holdings, on rates for bond issues, and

in order to boost the flagging and even abortive negotiations returns on their bond holdings. On rates for bond issues, and now there is growing pressure to go over to a much more flexible. returns on their bond holdings.
Nor is that all, A very substantial local market has also developed in Tokyo in US Treasury bonds following the big Japanese purchases of these and other foreign bonds.
Sometimes T-bond turnover in Tokyo can reach \$10bn, as much as a tenth of the New York level, and arguably more significant than that proportion might

cant than that proportion might suggest, because the Japanese business is concentrated in long

Japanese government debt has ballooned over the past decade, first as a result of the oil shock and then as a reflection of the need to boost government spen-

the most broadly-based in the tightly restricted Japanese financial system.

The banks and securities comhave the field to themselves.

Primary issues are made through a comprehensive underwriting syndicate that includes various kinds of banks, the securities houses and certain other institutions including

ble auction system. Mr Atsushi Saito, director of bond trading at Nomura, the biggest bond market operator, with a claimed 25 per cent share of trading, thinks that the long

bond primary market should go over to an auction system, as the

market in short-term paper already has. One trigger could be the determination of foreign secur-The volume of outstanding ities firms like Goldman Sachs and Salomon Brothers to obtain a much bigger underwriting syndicate share than their present 0.02 per cent of primary Government bond issues.

ding.

Mr Saito says the newcomers'

Partly as a result of the Govcomplaints are understandable, erament's increasingly pressing and, because renegotisting the need to sell debt (no government bonds at all were sold banks and other institutions until 1965), the government would be politically extremely bond market has become one of difficult, it might be better to scrap the system and start again

with an open auction.

The only foreign house to make much of an impact so far panies compete directly in this in the domestic yen bond barket over-the-counter market, which is Salomon Brothers, which has they cannot in corporate bonds made a particular push into the where the securities companies government bond futures mar-

GOVERNMENT BOND ISSUES (trillion YEN) Fiscal

been developed in New York

and is not so widely applied in the Tokyo market where the futures contract has only been traded since October 1985.

Trading is through the Tokyo Stock Exchange on a special membership basis, which means that the lack of full exchange seats available to foreign firms does not cause problems like those in the equity market.

The futures contract has been hugely successful. Volume wavered for the first six months, then jumped, and is now actually bigger than for the Chicago-based trading in US Treasury bond futures.

This is explained by the fact that it is the only financial futures contract available to Japanese investors and traders, in contrast to the range on offer in the US. Moreover traders cannot short the cash bond market in Tokyo.

"There is no other hedging instrument available," says one bond market expert. "All the business is concentrated in the one contract."

cially regarded as a combina-tion of a bond contract (restricted to securities com-panies) and a currency contract (restricted to banks). Conse-quently there is no institution that could trade such an instru-ment, even if it were to gain official approval.

Similar problems face shortterm interest rate or foreign currency contracts, where the banks have no wish to encour-age competition. But prospects for an equity stock index futures contract are rather more favour-ble At

At present, domestic Japanese investors are not allowed to buy the Nikkel index contract, which trades in Singapore on Simex (and perhaps soon also in Chicago); and, in fact, this kind of equity-based futures contract is not yet per-mitted by Japanese securities law.

The Osaka Stock Exchange intends to get around the existing regulations in April by launching a contract based on a parcel of 50 stocks rather than an index.

This will give it at least a 15-month head start on the Tokyo Stock Exchange, which will wait for amendments to the Stock Exchange Act permitting futures and options contracts.

This legislation seems likely to miss the current legislative season in the Diet, so a new law is unlikely to be enacted before spring 1988, with an earliest date for the launch of the new futures contract in the summer of that year.

An option on the futures con-tract could follow in due course, though traded options on individual stocks are not envisaged at this stage because the members of the exchange are concerned to protect their margin business

Barry Riley

Domestic corporate bonds

An end to the borrowing paradox

ONE OF the most striking fea-tures of international capital markets in recent years has been the huge volume of funds raised by Japanese companies outside their own country. The domestic bond market, by con-trast, has languished to the point where, until recently, it appeared to have been overlooked among the various facets of the financial system being

Section 2 to the pro-

 $\mathbb{E}_{i_1,\ldots,i_{2r-1}$

steadily liberalised.

All that has changed with the measures announced late last month by the Ministry of Finance to reinvigorate the domestic bond market. The measures, expected to take effect in April, will not immediately put the Tokyo bond market on an equal footing with the equity market as an international centre of attraction for fund, raising, and investment. fund raising and investment. But they should help to end the present paradox, whereby the world's leading creditor nation remains a substantial importer of capital because corporate and even public sector borrow-determining eligibility. their home debt market.

They have done so for two main reasons. First, it is currently, and in recent years has usually been, cheaper to borrow yen outside Japan. With the blessing of the Japanese authorities since the 1980 Foreign Exchange Law, the pool of Euroyen (yen deposits and yen currency held outside the country) has grown rapidly, although it still accounts for only 2.7 per it still accounts for only 2.7 per cent of international bank assets, according to the Bank for International Settlements.

bility has one at by a non-at by a non-ficulties. It is a fact of the con-control of the con-trol of the

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Terms and size limits on bond issues have been progressively relaxed as the volume of available funds has grown, and borrowers have benefited from increasingly competitive pric-ing gaining at least a half per-centage point on what they would have to pay in Tokyo as of

While interest rates could, at least in theory, move to the advantage of the domestic bond market, borrowers have also been driven away by the slow and cumbersome issuing procedures, "The main requirement is to shorten and simplify filing procedures," says Mr Riyoshi Tsugawa, director in charge of capital markets at the Bank of Tokyo. "In the Euromarkets, any issuer can choose a lead underwriter, set the terms and enter the market the same day. In Tokyo it takes at least two

A second obstacle has been the requirement until now that the requirement until now that in addition to an underwriter, which in Tokyo must be a secur-ities firm, an issuer of bonds must commission a bank to arrange collateral. The system has been highly profitable for banks, which argue that they in banks, which argue that they have return provide not only the collateral, but also a form of reassurance to investors that is more readily accepted than the rating system (still in its infancy

in Japan).

The bank's role does not been extend to guaranteeing the borrower's credit status in a legal sense, although in the collapse last year of Sanko Steamship, Credit Bank, as the long-term commissioned bank for several outstanding bond issues, took the lead in organis-

RELATIVE COSTS OF YEN FINANCING Indicative terms for an AAA-rated laster raising Y20bo all-in cost to benower 5.972 Yen bond public offering Yen bond private placement 10 years Euroyen bond public offering 7 years Yen syndicated loan 10 years Interest rates in January 1967.

write and deal in bonds in the

The banks argue strongly that without their participation, the secondary market in Tokyo will continue to lack depth and liquidity, and they point to the huge growth of the government paper sector (which makes up the vast bulk both of primary issues and secondary trading) since they were given permis-

since they were given permis-sion in June 1984 to deal in issues with less than two years

A further consideration for the banks is the need to be involved in the securitisation of

left to maturity.

70 at present, the number permitted to issue straight, unsecured bonds will rise in April to

Source: Industrial Bank of Japan

170, while the number authorised to issue convertibles will rise to about 330 from 180.

In each case, minimum net

worth requirements are also being reduced, with prospective

Other steps that the MoF is either considering, or is being pressed by the Japanese finan-

Include:

Shortening the waiting period between a borrower's commitment to a bond issue and its launch. One approach being stradied by the securities industry itself would be shelf register. died by the securities industry itself would be shelf registrations along US lines, though this would require legislative changes that could take a year

or longer.

Liberalisation of the range of permitted maturities (now subject to an upper limit of 10 years), free choice between lump sum and scheduled redemption, and the introduction of such well-established features of overseas markets as features of overseas markets as floating rate notes.

e Further encouragement of the already less restricted private placement sector. Measures to this end were announced last November and will come into effect in April, alongside the new collateral rules for public issues. They will raise the issue ceiling on privately placed bonds to Y10bn from Y2bn and will abolish the so-called "no return" rule that prevents an issuer which has launched a

issuer which has launched a public bond from subsequently tapping the private market. In addition, the Japanese Ministry of Justice has set up its own advisory committee to study changes to legislation covering bond issues, though its brief does not call for a final report before March, 1989.

There seems little doubt that the Japanese Government now feels a same of urgency in

feels a sense of urgency in attempting to establish a fully functioning bond market in Tokyo. An advisory committee to the MoF pointed out last year

If the convertible sector has

lapse last year of Senko Steamship, Credit Bank, as the longterm commissioned bank for
several outstanding bond
issues, took the lead in organising terms acceptable to creditors.

Yet the MoF's proposed
reforms do not attempt to
address what many regard as
the central problem; the
increasingly insistent pressure
from the banks to be allowed to
deal in private sector bonds. The MoF's package of mea-sures to encourage the domestic market is concerned chiefly business is reserved to the with expanding the numbers of companies allowed to issue Japanese banks have long been bonds without collateral. From

Horsetrading ahead euphemistically as the strong financial support provided by the securities industry for the ruling Liberal Democratic

Continued from Page 1 be discouraged," Mr Gyohten

CONTROL OF THE PARTY OF T

The Confession of the Confessi

The state of the s

predicts.
The arbitrary divisions between types of banks — long term, short term, savings — also ruling Liberal Democratic Party.

The securities industry is argning that Article 65 cannot be removed until the similar Glass-Steagali legislation is removed in the US. Although there is no obvious or necessary connection between US and Japanese legislation, this argument seems to have been accepted by the government. It may be subjected to a severe test in the next few months if, as widely expected, the MoF issues a securities licence to an affiliate of Morgan Guaranty. Japanese banks have seem set for an early demise, not least because of the sudden development of yen-to-fen swaps. Also, the Finance Minis-try, under pressure fom US and European authorities to force Japanese banks to improve their capital adequacy ratios, is considering allowing the city banks to issue long-term secur-

Illes.
The really big battles will be fought over the removal of con-trols from short-term deposits,

The really big battles will be fought over the removal of controls from short-term deposits, the elimination of the barrier between banking and securities businesses and, on a different front, the opening up of Stock Exchange membership and deregulation of its commission attructure.

The Post Office has set itself firmly against being forced to adopt market interest rates for its deposits. In response, the banks have said that they are not willing to have their small deposit rates freed if their major competitor can carry on with fixed rates.

The securities industry puts up a token show of unhappiness about not being able to carry out foreign exchange transactions, this being an activity reserved for banks. But there is no doubt that it is the banks that have come out worst in the split of the two businesses forced by the US occupation forces after the second world war, especially in one loses a little—and everyone

come out worst in the split of the two businesses forced by the US occupation forces after the second world war, especially in recent years since the strong trend to securitisation of corporate debt has been established.

'However, bankers are pessimistic about an early removal of the legislation in question, Article 65 of the Securities and Conce reform is under way, the Exchange Act. Their main industry could be in for a round Exchange Act. Their main industry could be in for a round reason for this pessimism is put of fundamental restructuring.

Junichi Nishiwaki of Mitsubishi

Bank. "The time has come for Tokyo's Chinese walls to be knocked down."

deal that might, say, give banks the right to enter the bond mar-

ket in return for their agree-ment to drop the commissioned

bank system or, perhaps, to allow securities firms to deal in

For the time being however

no such deal is even on the horizon, and the MoF is likely to

At some future date, according to bankers and securities company executives, the two industries will have to strike a major swap operators in the

According to one recent estimate, the Tokyo yen connection captured 25 to 30 per cent of the \$250bn in worldwide interest rate swap transactions carried

This is one of the few sectors in which foreign banks have done particularly well in Tokyo. Five leading US banks, includ-Adrian Dicks and Bankers' Trust, gained 80 per cent of swap busi-

IN JAPAN, people refer to semi-conducter chips as the "rice" for new industries. Japanese bankers have come to think of swaps as the chips of finance,

the indispensable components of their high-tech deals. Since the rules on forward exchange contracts were relaxed nearly three years ago the Tokyo swap market has grown to rival those of New York and London. Since swaps are off-balance sheet transac-tions, it is difficult to obtain an exact measure of the size of the Tokyo market. However, judging by Japanese corporations' vigorous appetite for low cost financing in overseas capital markets and the heavy capital outflow caused by buying of foreign bonds by institutional investors the Japanese are proported as being award the regarded as being among the

rate swap transactions carried out last year.

The Bank of Japan's survey on swap transactions dealt with by foreign banks operating in Japan showed that the outstanding balance of both interest and currency swap transactions reached Y4,900bn in the January. Jupe 1986 half year, 60 per ary-June 1986 half year, 60 per cent higher than in the first half of 1985. The central bank also reckoned that the size of the Tokyo market was equivalent to that of New York and London.

Swaps

Yen-to-yens can help reduce the interest burden

In the Tokyo market, the main activity has been interest rate swaps, with investors exchanswaps, with investors exchanging dollar fixed rate and floating rate liabilities. These accounted for Y2,180bn, or 40 per cent, of the total swaps handled by foreign banks in the first half of 1986. Currency swaps conducted between yen and Swiss franc, yen and dollar, or yen and other currencies. or yen and other currencies reached Y1,820bn in outstan-ding balances, accounting for 30 per cent of the foreign banks' total during the half year.

These interest and currency swaps have almost been insti-tutionalised. Novelty has come from "yen-to-yen" interest swaps the practice of exchanging yen long-term fixed interest liabilities for yen short-term floating interest liabili-

ness on corporation to corpora-tion transactions and Japanese commercial banks to corpora-tion transactions during the half year.

Which only began appearing about a year ago, have grown rapidly. Outstanding balances dealt with by foreign banks in the first half of 1986 reached

Yen-to-yen interest swaps have been particularly popular with financially strapped Japanese companies such as shipbuilders, steel and chemi-cal companies that have large long-term loans with fixed high interest rates. The swap offers them the opportunity to reduce their interest rate burden.

them the opportunity to reduce their interest rate burden. Here is how it might work. A corporation agrees to pay the short term floating interest charges on a six-month Euroyen note held by a foreign bank, in the hope that the short-term interest rate will decline. In return and for a fee the bank arranged by Japanese swaps arranged by Japanese banks and brokers to obtain rankings in the underwriting league table has narrowed the spread to such an extent that there are complaints about "harakiri" swaps.

Some American bankers claim that about 90 per cent of swaps arranged by Japanese banks and brokers to obtain rankings in the underwriting league table has narrowed the spread to such an extent that there are complaints about 10 per cent of swaps. return, and for a fee, the bank will pay the fixed interest obligation on the company's

ven long-term fixed long-term debt.

liabilities for yen shortoating interest liabiliturned out to be very usful to
Japan's commercial banks,
yen-to-yen swaps, offering them the means to skirt

around the rigid segregation of long-term and short-term bank-ing in Japan. Japanese commercial banks are prohibited from raising long-term funds and restricted to the shorter end of the money market such as certificates of deposits bills, or short-term Euroyen deposits. This means they are at risk when competing for long-term

The yen-to-yen interest scheme enables a commercial bank to swap its interest payments on short-term funds for long-term interest charges owed by a corporate borrower or with a foreign bank in Japan. In some cases, companies linked to Japanese commercial banks can

be used as the partner. More than 80 per cent of Euro-bonds are now using swaps to lower funding costs, thus enab-ling foreign banks and Japanese securities houses to take an early lead in this market in

Japanese commercial banks have tried to catch up by under-cutting swap rates as a marketing tool when competing for the mandate to be co-lead manager of a Eurobond underwriting group. The scramble by Japanese banks and brokers to

extent that there are complaints about "harakiri" swaps.

Some American bankers claim that about 90 per cent of swaps arranged by Japanese banks are still at the "hara-kiri" level. One European banker disagreed, saying that an increasing number of swaps change hands on a commercial basis.

Yoko Shibata

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Foreign borrowers invited to return

AS WELL as oversnadowing the Tokyo domestic corporate debt market, the rapid growth of both new issues and secondary dealings in Euroyen bonds has had a dramatic effect on the development of the markets in paper sold by foreign borrowers in

sold by foreign borrowers in Japan.

By encouraging access to the Euroyen market by prime corporate names in late 1984, the Japanese authorities succeeded rapidly in one aspect of their strategy for encouraging the internationalisation of the currency, only to see a check imposed on their ambitions to build up Tokyo itself as a leadbuild up Tokyo itself as a leading international supplier of

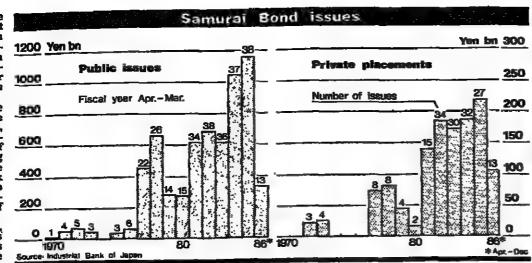
In recent months, however, the Ministry of Finance has made clear that it recognises the problem. It has eased some of the terms of access to the Tokyo markets for foreign borrowers and has signalled that it wants to bring back to Japan part of the vast volume of offshore bond underwriting, issuance and secondary trading by Japanese financial institutions that developed during the tions that developed during the long period of tight foreign exchange and capital market

controls.

There are two sections of the Tokyo market for foreign issuers. The older and larger is issuers. The older and larger is the so-called Samurai market, denoting yen-denominated bonds issued in Japan by foreign borrowers. Inaugurated by Industrial Bank of Japan in December 1970 with a Y6bn issue for the Asian Development Bank, the market was closed to all but sovereign borrowers. soverument-owned borrowers, government-owned or government-guaranteed agencies and supranational institutions until early 1982, when a limited number of toprated corporate names first

began to appear.
Much more recent is the Shogun market, meaning bonds denominated in foreign currencies but issued in Japan. Bank of Tokyo led the first such issue, of \$300m, for the World Bank in August 1985. Of the total of 15 issues seen up to the end of last month, only two — \$100m deal for Southern California Edison and a \$50m deal for Sohio, a US subsidiary of British Petroleum have been for pure corporate

A handful of deals then believed to be in the pipeline included GTE, the US telecom-



munications and electronics group, and Ciba-Geigy, the Swiss pharmaceuticals pro-ducer which would become the first non-US company to tap the

hrst non-us company to tap the Shogun market. Reluctance on the part of many Japanese private investors to take positions in foreign currencies at a time of unprecedented yen strength would appear to lie behind the relatively slow growth of the Shogun sector. Shogun sector.
Those Japanese institutions

willing to buy foreign currency instruments can, moreover, find much greater liquidity and depth—to say nothing of currency and interest rate hedging opportunities—in the US Treasury and Eurodollar bond markets.
The sharp slowdown in activ-

The sharp slowdown in activity in the Samural sector also owes something to short-to-medium-term market conditions, according to bankers and securities executives in Tokyo. As of late January, there was a 50 to 60 hasis point (or 0.5 to 0.6 percentage point) advantage for an AAA-rated sovereign borrower in issuing yendenominated paper in the Euroyen, rather than the Samural market Costs associated with an issue have been reduced in Tokyo, though some

reduced in Tokyo, though some securities industry executives claim they are still higher than in the Euromarket because of the commissioned bank system. A more deep-seated problem,

in the view of most Tokyo bank-ers and bond underwriters, lies in the still-cumbersome procein the still-cumbersome procedures of the market. Despite the Japanese authorities' recent step to widen the circle of potential issuers of Samurai bonds, all borrowers new to the market are obliged to show a rating of at least A or to obtain one. Terms and conditions have to be agreed with underwriters was months ahead of issue date.

two months ahead of issue date, while a formal registration statement for the authorities and a full prospectus have also to be prepared.

In the days of a strong and relatively stable dollar, hone of these conditions appeared especially onerous, and Japan was far from being the only was sar from being the only country anxious to preserve an orderly queue in its foreign bond market, made up exclusively of top-quality names. However, much of the driving force behind the Euroyen market's growth in recent months has come not from any fundamental growth in demand for the Japanese currency, but from

damental growth in demand for the Japanese currency, but from swap deals. These are bond issues in which a borrower raises yen at the relatively low interest rates prevailing for the currency, and swaps the proceeds immediately into another currency, usually US dollars.

The swap business depends crucially on timing and flexibility. Tokyo bond underwriters, obliged to commit themselves under the local filling rules to all

under the local filing rules to all

the terms of an issue two months ahead, say they have no realistic chance of matching the effi-ciency with which the Euromar-kets can process swap transactions, arrange foreign exchange and line up the counter parties

and line up the counter parties to deals.
Despite these obstacles to the immediate recovery of the Tokyo-based foreign bond markets, few doubt that in the long run, the MoF will succeed in its sim of pulling a substantial share of the bond business back to Tokyo, provided that it is sensitive to the market's needs. sensitive to the market's needs. As the home country of the

As the nome country of the yen, and the source of most of the fundamental demand for the currency, the Japanese market plainly offers potentially far greater trading depth for yendenominated paper than offshore centres can match. Secondary trading in estab-lished Samurai issues remains strong The MoF has succeeded in persuading the securities industry to extend trading hours, and 10 medium-sized houses announced last month that they would set up as market makers for the most heavily traded paper.

Japanese investors themselves are, moreover, increasingly important in the secondary market for Euroyen bonds, of which the proportion carried out in Tokyo is already rising fast.

Adminst Thicks strong. The MoF has succeeded

Adrian Dicks



An appetite for things American ... while investment managers and institutions watch the dollar exchange rate and the US Treasury bond TRAFFICATION

Investment

Savings tide forces money abroad

TODAY JAPAN is a great money machine, with a personal savings ratio of some 17½ per cent and a rapidly growing mountain of wealth which, in 1988, spilled out in the form of long-term overseas investment to the tune

It is a situation that has led to very rapid expansion by domes-tic investment institutions, and foreign investment companies seeking a slice of a highly profit-able industry. But producing returns of the

size expected by Japanese investors has not proved easy. With long-term government bond yields down to little more than 5 per cent, the domestic institutions have been forced abroad only to find that the currency risks were more than they bargained for. With more than \$100bn piled

into US Treasury bonds, the dol-lar-yen exchange rate has become a great obsession among Japanese investment

There were huge paper losses when the dollar slumped after the G5 finance ministers' meeting in September 1985, and the dollar's recent further weak-ness has sent renewed tremors through the Japanese trust banks and insurance com-

panies. Yet the massive growth in savings leaves the institutions with no real alternative but to push more money abroad, perhaps reasoning that the future exchange losses must be less serious the higher the yen goes. Thus Dai-Ichi Mutual Life, just one of the big insurance companies, received an inflow of Y2 trillion (million million) last year. Something like 30 per cent of the new money is going into overseas investments— mainly dollar bonds.

The Japanese institutions The Japanese institutions have always recognised that depreciation of the dollar was likely, but calculated that it could be amortised over the life of the bond and still be absorbed within a yield margin of 3 or 4 per cent (though the differential is now only about 214 per cent

What has upset the calcula-tions is that the drop in the dollar has come far sooner and more sharply than was anticipated, to the extent that even the flow of interest payments has been sharply devalued.

Some argue that the life companies and trust banks have

been too eager to offer high returns in order to compete for pension-fund and other corpo-NET PURCHASES OF STOCKS (bn YEN)

rate business. So far it seems they have been able to cover their losses by drawing on handsome inner reserves accumulated over the years, especially on equities. But this process of cross-subsidisation obviously cannot persist indefinitely.

There is some scope for diversifting into other currencies, but although currencies like sterling and the Australian dollar offer high returns they cerlar offer high returns dies teritainly do not solve the currency risk problem; and stable currencies like the Deutsche Mark (32 trillies yen is approximately \$210tm) interest rates.

Whereas the trust banks and life assurance companies com-pete for pension fund business, there are other rivalries within the tightly compartmentalised Japanese savings market. For instance, the trust banks and the securities houses are the main protagonists in the boom-

Japan at present, because of the acquiring lack of competitiveness of Several partnerships have lack of competitiveness of compe

on the funds can be taken into their accounts as normal trading profits.
This is part of "zaitech," the

practice of sophisticated finan-cial management in Japan, and investment profits are particularly attractive to the many exporting companies which are at present suffering a nasty earnings squeeze.
One preserve over which the

securities companies enjoy complete control is that of the mutual funds, or investment trusts as they are known in Japan. These jumped to more than Y30 trillion during 1986. Stock trusts have now pulled ahead of bond trusts, as a result of declining interest rates and the boom in the equity market. Foreign investment managers

Japan as far as the domestic market is concerned. Pre-viously, foreign branches have mostly been established as intelligence-gathering posts on behalf of foreign investors. But now they sense opportunities to sign up local clients.

One interesting development has been the licensing of nine foreign trust banks, including Bankers Trust, Barclays and Manufacturers Hanover. These trust banks have wide opportu-nities to develop institutional investment business, including pension funds and tokkin and

They face the problem that most Japanese corporate business is allocated in accordance with longstanding relation-ships. So in practice the foreign trust banks are probably concentrating for the time being on marketing to the Japanese sub-sidiaries of overseas com-panies, which may be more receptive to the international style of investment packages and pension plans they can

nvestment Trusts' Net Assets (in trillien yen) ck Bond sts trusts Total

7.2 9.3 14.1

20.0 32.1

The foreign trust banks hope, however, that Japanese clients will increasingly seek higher standards of reporting and disclosure than the minimal levels which are the rule with Japanese institutions.

The other foreigners in Tokyo are the specialist portfolio maning business of managing sur-plus corporate funds.

agers, hoping to gain a lucrative share of the advisory contracts Japanese companies are attached to Japan's capital out-unwilling to invest heavily in flows, which are increasingly Japan at present, because of the acquiring an equity element, lack of competitiveness of Several partnerships have

funds.

Money has been pouring into years ago to bid for institutional special fund trusts and "tok-kin," which are together now worth something like Y20 tributed in the special of tokkin to companies is that capital gains on the funds can be taken into

But it is not clear whether such formal associations have been wildly successful. Other investment management firms have preferred one-off market-

ing arrangements for individual funds. In any case, the real benefit tends to stay in the hands of the Japanese associste, which has all the marketing

SEE

clout.
It may be some time before foreign managers get a fair crack at the Japanes savings market, but a significant development could be the recent enactment of a new investment management law allowing advisers to act for the first time with proper first time with proper discretionary powers. It is suggested that close to 100

management firms would qual-ity, of which perhaps 20 would be foreign-owned. The foreign managers would then be in a position at least to bid for contracts to manage tokkin, although pension funds and investment trusts would still be out of reach.

Details of the new discretionary management licences have yet to be worked out, and although the new law is a positive move there are fears of

For instance, small domestic boutiques," might have to take on expensive overheads in order to comply with the new rules, while some of the foreign firms might have to book their profits in Japan rather than in a more lightly taxed location. But Mr David Paterson, of Jar-

dine Fleming Investment Advis-ers, is optimistic. "Now we will have a status within the finan-cial industry." he says, "and we will have proper access to the authorities."

Barry Riley

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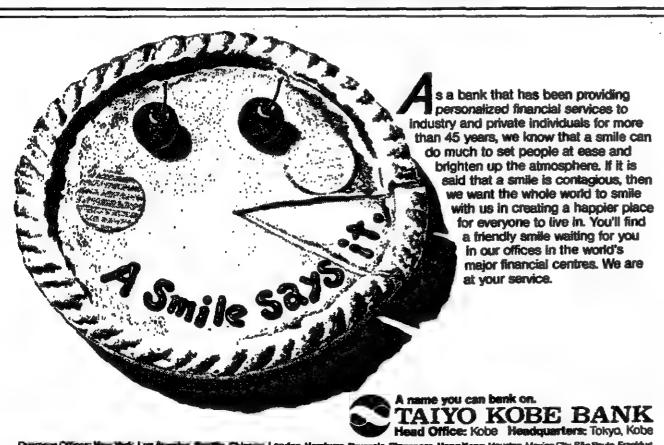
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Call for further moves on liberalisation

surprising that Japan's big commercial banks, now among the largest in the world, should feel themselves under threat. The sheer size of their deposit bases, their undoubted (if also unquantified) financial reserves and their increasingly ambitious activities abroad all add up to a powerful presence in the world financial com-

Yet on the home front, the pace and scope of liberalisation, which have surprised bankers no less than the rest of the Japanese financial establishment, have thrown into, relief several potential threats to the way banks have traditionally done their business and earned their profits.

In common with banks elsewhere in the world, the Japanese city banks (the 13 large commercial banks) detect a trend towards securitisation of lending that could damage Some bankers now call openly their traditionally close long- for the repeal of the article, and

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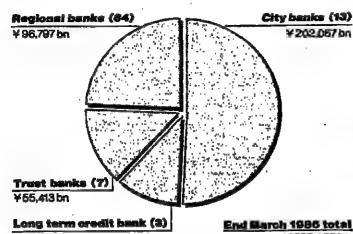
term relationships with their industrial customers. Japanese companies have become prominent users of the eurobond markets, and have shown keen interest in developshown keen interest in develop-ing—as rapidly as the Japanese Ministry of Finance has allowed—the full range of mar-ket-based financing instru-ments, such as note facilities and commercial paper, that are taken for granted by their coun-ternarie in other countries.

The banks' instinct is to join in the rush to securitisation. Outside Japan, they have long been active in underwriting bond issues and in second bond

terparts in other countries.

market dealings.
In Tokyo, however, their ambitions are still thwarted by the strict separation of banking from securities business laid down by Article 65 of the Securities and Exchange Law — legislation modelled deliberately on the US Glass-Steagail

Bank deposits. Including CDs



¥44,153 bn

GROWTH OF DEREGULATED FUNDS (Yen bn) Sep 86 Mar 85 Total deposits of City banks GDs MMCs* 5,478 1,643 Large deposits

Berequiated rate
funds as percer of total deposits

* Money market certificates.

for the abolition of all the barriers behind which - as the banks choose to see the matter — the securities houses have grown rapidly in recent years to world-class size and staggering profitability.

"The legislation was intro-duced to protect the securities industry in its infancy," says Mr Junichi Nishiwaki, general manager for economic research at Mitsubishi Bank. "No-one can say that it needs that protection any longer."

Battle between banks and securities houses has already been joined over such novelties as a proposed Tokyo commer-cial paper market and the mooted introduction of stock index futures trading.

For their part, the securities touses are keen to win a share of the buge and rapidly growing Tokyo foreign exchange market, now the world's leading centre for yen-dollar transactions. They are also impatient to see the abolition of the commissioned bank system (entailing the arrangement of collateral for bonds issued in Japan), which they argue is one of the factors hindering the return to Tokyo of bond underwriting business now handled offshore.

Yet this is not the only front on which the banks feel compelcity banks (13)

City banks (13)

202057bn

4202057bn

change in traditional patterns awaits them with the implementation of the final stages of the MoF's programme to abolish interest rate controls.

to abolish interest rate controls.

Starting just under two years ago, the MoF deregulated interest rates on deposits of Ylbn or more. A year later this was reduced to Y500m, then to Y300m. At a date still to be announced later this spring, the figure will be cut again to Y100m (£430,000). Bates on money-market certificates and on negotiable certificates of on negotiable certificates of deposit have also been substantially, though not yet entirely, deregulated.

According to the Federation of Bankers' Association of Japan, a total of 13.6 per cent of the 13 city banks' funding came from these various deregulated sources in the six months to last September, a proportion that has been growing steadily. While the minimum size for a deregulated deposit remains well beyond the reach of most private customers, few bankers in Tokyo doubt that, in due course, foreign and domestic pressure on the MoF will see the threshold reduced again and eventually removed altogether.

There is less agreement on who would be the winners and losers in the ensuing competisources in the six months to last



Tokyo foreign exchange dealers in action . . . Securities houses would like to win a

lion for savers' funds. Japanese banks are coming reluctantly to accept that the 80 per cent or more of deposits which they now derive at low interest rates from private customers will be opened up increasingly to competition from other deposit-takers and investment outlets.

The city banks, with their enormous deposit base and their strong links with corpo-rate customers, are not expected to be the immediate

share of the growing market. of its future strategy of increasing its service to retail and bilateral one, but MoF officials stress their keen interest in steering Japanese banks into small business customers. At a stroke, the Osaka-based bank

network by around 100 from the 200 limit imposed on the city banks by the MoF, and to add to its presence the Tokyo region. Besides the prospect of more expensive funding in the future, Japanese banks also face a dimly-perceived, yet potentially costly pressure from the moves now under way on the part of foreign banking regulators for greater comparability of capital

adequacy ratios between banks in the main industrial coun-tries. So far, the US-UK agree-ment on the subject is a purely

was able to increase its branch

either to raise very large sums of additional equity (which one or two have begun to do already) or else to accept a formal valua-tion of their huge " submerged " holdings of securities on their own books. According to financial consultants in Tokyo, valuation of these at 70 per cent of market value would transform the capital-to-liabilities ratio of one city bank from under 3 per

cent to between 8 and 9 per cent. Adrian Dicks

line over a period of years.

This will oblige the banks

V

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Short-term markets

Interest rate movements

Commercial paper market on the way

PROBABLY THE most acrimo-nious debates on the liberalisation of Japan's financial markets have been over the short-term money markets.

Last September, Mr David
Mulford, the US Assistant
Secretary of State, complained
bitterly that the momentum for
Ilberalization liberalisation, so strong two-years earlier, had been lost. Several European governments have been making vigorous rep-resentations to the Japanese authorities as well.

on paper, the process of deregulation of Japan's short-term money markets has been rapid and substantial since the rapid and substantial since the comprehensive report of the joint Japan-US ad hoc group on yen-dollar exchange rate, financial and capital issues (then yen-dollar committee) in May 1984.

Regulations on conversion of femiliar funds into year have

foreign funds into yen have been abolished and restrictions on Euroyen transactions by domestic banks lifted. The floor on large time deposits which can seek market interest rates, which stood at Vibn in October which stood at Y1bn in October
1985 was lowered last year to
Y300m and is set to go down to
Y100m this spring.
Denomination sizes of money

market certificates (MMCs) have been steadily reduced, a bankers' acceptances market has been introduced and restrictions on certificates of deposit (CDs) have been eased. Also, the government last year began issuing short-term government bonds or Treasury bills. The volume of transactions in

the interbank and other short-term markets has grown rapidly in the past two years. The aggregate average balances in the call, discount, CD and Gensaki (bond repurchase agreements) markets grew from Y23,800bn in 1984 to Y40,000bn last October.

Yet these and other shortterm money markets are still the preserve of sophisticated investors, and activity is slight compared with that in the US. For example, the amount of Treasury bills in circulation in Japan is only Y2,000bn (\$13.3bn) compared with nearly \$400bn in the US.

Moreover, about 70 to 80 per cent of deposits in Japan are still covered by fixed interest rates. There is also still some potential for a wider selection of products. For example, the Government has not yet permitted the establishment of a com-

mercial paper market yet. There is no mystery about the

Certificate of Deposit

reasons for the delays in the deregulation process. Deregulation brings with it higher align with them. deregulation process. Deregula-tion brings with it higher interest rates than those fixed by the Government. As the Government itself is a large borrower, it would suffer con-siderably if it had to pay more

for its money.

Perhaps more important, the control on small denomination. deposits has been the lifeline of the commercial, regional and

savings banks.
If they were suddenly obliged to pay retail depositors market rates, their margins would be severely squeezed. Some of the smaller banks undoubtedly would be in difficulty, and some restructuring in the industry would have to take place. Despite the obstacles, there is

no doubt that the process of liberalisation will continue. Government leaders have repeatedly committed themselves to the goal of totally free financial markets. The Bank of Japan has also put its weight Japan has also put its weight solidly behind the liberalisasolidly behind the liberalisa-tion process, recognising that its ability to influence interest rates would be improved if the short-term money markets were more liquid.

Also, the ability of the author-ities to stop the liberalisation process probably declines with each forward step. For example.

each forward step. For example, last year, in an attempt to ease the upward pressure on the yen, the Government allowed large institutional investors to place a larger proportion of their port-

That means there will be greater yen balances abroad, which will be traded at market rates,

However, as Mr Mulford and others have observed, the process is now reaching the point where any change will have a potentially large impact on some of the institutions involved, and so the resistance to change is becoming more substitution. stautiol

The next scheduled development is a further easing of MMC issuing conditions and a reduction in their minimum denomination. When MMCs were introduced in April 1985, banks would issue them only to the extent of 150 per cent of their and the smallest

deposit continues. Yen CDs were first introduced in 1979 with a minimum denomination of Y500m, a ceiling of 100 per cent of net worth on the amount any bank could issue and a limited range of maturities. Last at Y100m, could be lowered to

It seems likely that restric-

tions will be eliminated altogether only in the context of overall negotiations on interest rates on small deposits. That will be a very difficult process. not only because of the depend-ence of the banks on low interest deposits but also because of the huge postal sav-

ings system.

The Post Office today has about Y100,000bn on deposit, one-third of the national total of savings. Unless it is obliged to liberalise its interest rates in the post its interest rates in the post its interest rates in the post in th step with those of the banks, it will have a significant competitive advantage. Talks between the ministry and the Post Office are under way, but are delicate.

The other obstacle to the popularity of some short-term money markets is government tax policy. For example, Treasury bills are subject to withholding tax, so foreign investors

have eschewed them.

Bankers' acceptances, introduced with considerable fanfare in June 1985, have flopped because they are subject to a stamp duty. Analysis are not optimistic about the prospects for the Finance Ministry retreating from any source of

The next big battle is likely to be over the establishment of a commercial paper market. Securities dealers and indust-

As in other liberalisation questions, the authorities are trying to proceed on a step by the extent of 150 per cent of their net worth and the smallest denomination was Y50m. Last year, the net worth restraint was eased to 250 per cent and the minimum denomination lowered to Y30m.

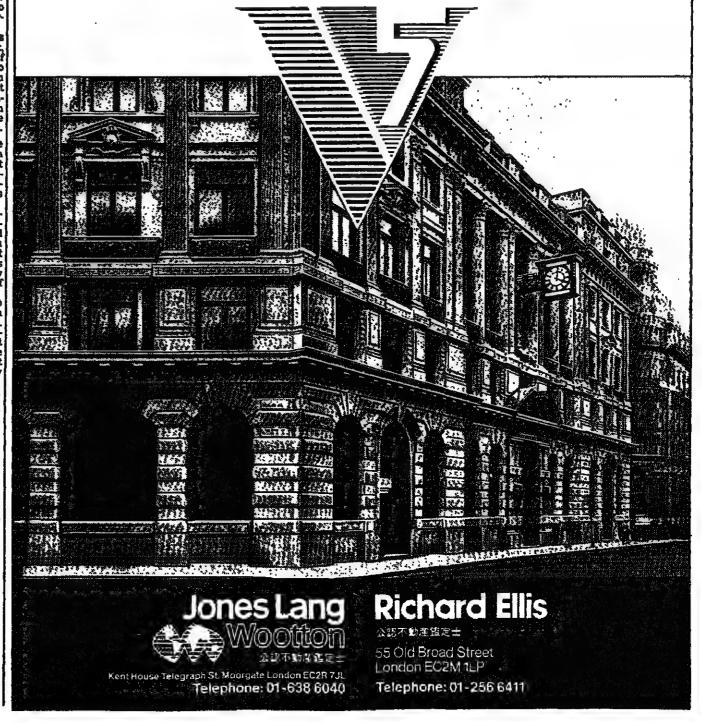
According to Ministry of Finance officials, the minimum denomination will probably go down to Y20m in May. That is still a bit too high to compete with bank or postal savings accounts, but it is getting close. Similarly, the liberalisation of conditions on certificates of deposit continues. Yen CDs

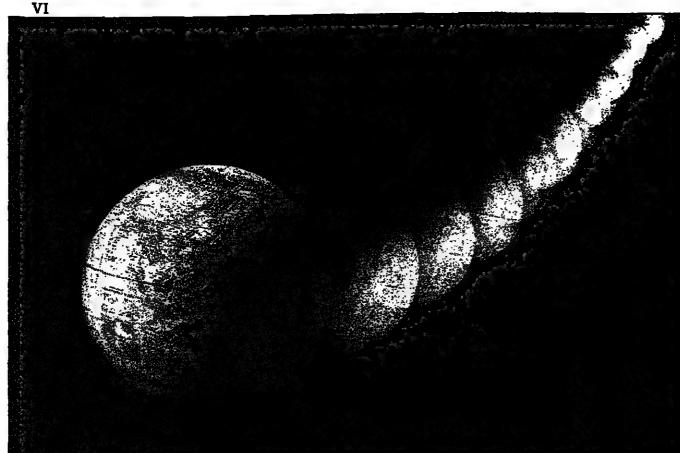
The most important of these is that CP certificates should be defined as notes, so as to facili-tate issuing procedures and enable banks to participate. The central bank also says that issuing companies should be year, the net worth requirement was reduced to 250 per cent and the minmum denomination, now at Y100m, could be leavened.

Ian Rodger

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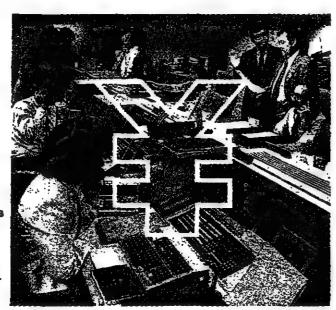
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The Stock Exchange

Still only six foreign members

FOREIGNERS ARE a problem that the Tokyo Stock Exchange could well do without, as it loudly. struggles to cope with booming levels of business. Its "try again next year" message to would be foreign member firms has not gone down at all well.

The London and New York exchanges have now thrown their doors wide open to international securities firms. But Tokyo remains a tightly control-led club of the more conserva-While the Ministry of Finance

was being niggardly in handing out securities licences to overseas firms the resistance by the seas tirms the resistance by the exchange scarcely mattered. But with the transformation in the MoF's attitude the posture of the Tokyo exchange is all the more embarrassing.

The exchange blames lack of space. It says there is no room on the trading floor for reason.

on the trading floor for repre-sentatives of new member firms until it has managed to put more of its listed stocks on to a computerised trading basis. That could take until the spring of 1888.

But it is more than a year since the exchange made its last gesture towards liberalisation, by letting in a group of 10 firms, including the first six overseas members. The six were chosen partly for

their standing in the securities business and partly because of political pressure to placate the British and American govern-ments, which have been fuming over the lack of reciprocal treat-ment for their national firms in

Tokyo. The unlucky candidates were far from pleased, and have been frustrated by the lack of progress since then. In mid-January the president of Salomon Brothers from New York, Mr

20,000 May 16, 1949 = 100

16,000

12,000

8,000

Nikkei Average

loudly.
"The Tokyo Stock Exchange must open its doors to foreign firms." he said. "We view exchange membership as a cor-

It was indicated to him that a single-digit number of new members might be admitted in 1988. Seven, for instance, would neatly take the membership up to 100. But the exchange refuses go on the record with any particular figure. And there would not be any guarantee that seats would go to foreign firms rather than the various Japanese securities houses which might also like to be

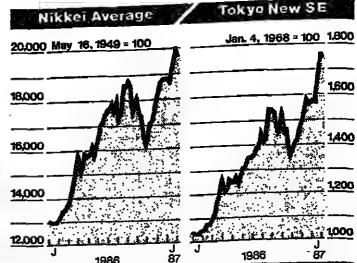
members.
"We have just said that we plan to review the position again," says Mr Mitsui Sato, a managing director of the exchange. He denies that the exchange is being obstructive. "Any stock exchange wants to attract business to it," he says.

Stock exchange membership is by no means essential in order to carry on securities business in Japan, but it does bestow significant advantages on securities houses with suffi-cient volumes of business to afford the initial fee (the last seat changed hands at YL1bn or \$7.3m) and carry the extra over-heads subsequently required,

such as for floor personnel.

The most obvious penalty of non-membership is that business has to be passed through a member firm, which will deduct 27 per cent of the commission.
"We are a wonderful customer of our biggest competitors," says a rueful Mr Deryck Maughan, Salomon's Tokyo managing director.

And sheer status counts for a lot. too. One floor above Salo-



mon, in a brand new office tower, Goldman Sach's Tokyo president, Mr Eugene Atkinson,

president, Mr Eugene Atkinson, emphasises the benefits his firm's seat has brought.
"It is more valuable than I would have imagined," he says. "Investors like to deal with somebody who is really part of

Foreign securities executives also note that it is easier to recruit high-quality staff to a member firm. All the same, Salomon claims that it does more business in Japanese equities, as a non-member, than all but Morgan Stanley and Jardine Fleming of the six foreign member firms.

member firms.

Meanwhile, deregulation around the world is creating other pressures on the Toxyo exchange. It is now the only one of the world's three major stock markets to operate a fixed scale of commissions. With the growth of the global market-place, it is open to question whether Tokyo although they obviously lack the

Naturally the Japanese securities houses are resisting the idea of introducing negotiated commissions. They conceded a 30-40 per cent cut in commis-sions on the largest equity transactions last October, and a similar move for convertibles will be implemented within the

Tokyo New SE

Jan. 4, 1968 = 100

near future. But there seems to be no competitive pressure on the Japanese houses' lucrative retail commissions.

The growing institutionalisa-tion of the securities markets in Japan is nevertheless likely to lead to the same trend towards commission deregulation that has been seen in New York and London. The Japanese institutions can see the size of the profits being earned by the big four securities houses, and are likely to seek further adjust-

And the growth of overseas trading in Japanese equities could pose an increasing challenge. Already a number of leading stocks are traded on SEAQ International in London and in ADR (American Deposit-

can continue for much longer to buge liquidity of the main Tokyo consider its practices in Isola-market.

There are widely differing views on the volume of business being done outside Japan. According to Mr Katsuhiko Fujimoto, a director of Daiwa Securities, transactions in London and New York "are still negligible." But Mr Tim Ferguson, branch manager of County Securities in Tokyo, claims that 10 per cent would be "a con-10 per cent would be "a con-servative figure" for the pro-portion of Japanese equity transactions off the Tokyo

At the exchange itself, Mr Sato does not consider there is any substantial trading of Tokyo stocks outside Japan, with the exception of a few special

He does not see any reason at present why the exchange should consider moving over to negotiated commissions. The firmly held official view is that fixed commissions aid stability. and the exchange is concerned to protect its more vulnerable small and medium-sized member firma.

Mr Sato accepts that the exchange must apply the com-mission scales flexibly, for example reducing them when the securities companies are fits, as they have been recently. But he insists: "Fixed commis-sions are best suited to

Japanese conditions." Barry Riley

Saleswomen

A gentle remedy for a fear of bonds

PERHAPS ONLY in Japan has a national budget deficit furth-ered the cause of women's liberation.

When the Government started issuing deficit financing bonds on a large scale in the early 1970s, securities companies began to relax their men-only rule on door-to-door sales, in order to quell the fears that investing in a "risky" instru-ment like bonds aroused.

ment like bonds aroused.

According to Mrs Midori Shimizu, deputy manager of the smaller of Yamaichi Securities' two branches in the Shibuya area of Tokyo, "securities houses felt they needed the 'soft touch' to inspire public confi-

dence". Since then, women have con-tinued to expand their sales presence, both behind the coun-ter and on the road. Last year. Yamaichi's saleswomen total-led almost 2,500 and men nearly 3,000. A major difference is, however, that the majority of men are "full-time" and most of the women "part-time", a description that relates to security of tenure rather than to the number of working hours. Yamaichi plans to increase the ranks of part-time women, who work for a small basic salary and commission, from just under 2,000 in 1986 to 4,000 by the end of the decade.

Risk, having given them their jobs in the first place, acts as a jous in the first place, acts as a constraint to their activities, since they are allowed to market only bonds and investment trust funds; stocks are left to the mainly-male and more exten-sively trained full-timers, although the women have been known to handle clients' buy and sell orders.

Their average age has dropped sharply since the early days. Mrs Shimizu, who two years ago became one of only 22 females in Yamaichi to have full equality with male colleagues in pay and conditions, said, "Most part-timers used to be in their 50s and 60s, having returned to the workforce after bringing up ther children. Now. most are in their 30s, 40s or even 20s, since youth is able to mas-ter more quickly the intricacies of the constant stream of new products and investment packages competing for funds." They have to pass a special Japan



Mrs Shimizu ... "mother-in-law will help"

Securities Dealers Association sectifies Dealers Association examination to be recruited, and then undergo two weeks' training at head office and the branch to which they will be attached.

Whereas most women partimers look after female customers principally. Mrs Shimizu's client list includes men, women and compositions.

The vivacious Mrs Shimizu, 35, is particularly rare as she is one of only two women to hold a position of equality in the company and be married. Moreover, the fact that her formal education ended when she left upper secondary school at the age of 18 has not held her back, even though female university graduates often end up pouring tea for a living in Japan.

Now she faces the possibility and corporations. Most are within a two-kilometre radius of the branch in the affluent shopping and residential district of Shibuya.

At the moment, she estimates women account for about 40 per cent of individual clients and are gaining. As personal finantial resources have swollen in line with the country's economy, housewives, who have controlled the family budget ever since

Shimizu is not worried about for tax purposes, and some are the prospect of leaving her hussiphoned off into their band and six-year-old daughter "drawer" savings, in the care of her mother-in-law. "My husband supports me in my safety of bank deposits or postal professional life and my savings accounts, but they are mother-in-law. who lives with now turning more to higher me anyway is happy to help out yield, zaiteku (financial as long as I pursue a career engineering) products to

seriously and do not work for

The vivacious Mrs Shimizu, and corporations. Most are

Now she faces the possibility led the family budget ever since of a transfer either within Japan the last war, have found or overseas at some point. Post-themselves with more funds to ings are never a matter of manage. Some of these funds choice here: the company has are known to their husbands, the only word. However, Mrs some are deposited in his name

increase their returns. Since corporate-bound "salarymen" have no time to deal with such nave no time to dear with such questions, their wives are learning about bulls and bears and have to make decisions on complicated hybrid products.

However, they still prefer to stick to the minimum-risk government bonds on the whole. They react more emotionally to losses than men, and are both less logical and less knowledge less logical and less knowledge-able about markets and the eco-nomy, says Mrs Shimizu. "But although women still ask elementary questions, they have made progress over the past couple of years," she adds.

They have been helped by wide magazine coverage of personal finance and zaiteku, and are now developing an interest in stocks. Furthermore, once she has built up trust with female clients, her advice is always followed, whereas men often listen attentively and do the opposite, concludes Mrs

Barbara Casassus

Foreign banks

No room for error once the limits go

AMONG THE growing club of in Japan of National West-foreign bankers in Tokyo (nearly 80 institutions at the end of 1986), it is doubtful whether any two share exactly the same in Japan comparable with what for one. Mr Chris Martin, the big unresolved issues in the analysis of the Japanese bank—
it can offer in Europe and in ing market, or the same ambitions for their own place in the reckons to have 45 per cent of country's rapidly changing the UK business of Japanese international financial services companies, not counting that

there seems the pre-seem to constitutional to the constitutional to the constitution as New Yorks as New York

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international financial services business.

Some of the representatives of the longest-established institutions still seem slightly disbelieving of the pace and extent of financial liberalisation in the few years since the Reagan administration turned up the heat through the Yendollar Committee. The more lately-come foreign banks, themselves beneficiaries of that same process, seem sometimes to take the sweeping changes of recent years too much for regranted.

For the old hands, Tokyo remains a market unlike any other, where foreign banks—still enjoying as a group only a paltry 3 per cent of total deposits—have traditionally been able to thrive only in such niche businesses as foreign currency lending, foreign exchange and trade finance. To the newcomers, unmarked by their rivals' long and sometimes bitter experience of life on the fringes of the Japanese financial world, Tokyo offers boundless opportunity—well of the world's biggest source of investment funds, and home to hundreds of its most powerful industrial companies.

One point on which all would doubtless agree is that, once the remaining regulatory and legal obstacles in the banking market are removed, there is likely to be little room left for error. "I would estimate that there will be at most 15 survivors among the foreign banks," says Mr Tony Hodge, general manager

The Offshore Market

handled by Japanese banks, and

The offshore market

Banks see need to cut tax rates

since it opened for business, the most striking feature of the new Japan offshore market (JOK) institutions. No figures are yet available, but Japanese bankers say this has indeed been happening.
The regional banks have not been slow to seize the opportunities offered to them, and are has been the unanimity with which Japanese and foreign banks alike have been expressing their disappointment at its development to date. reported to have been busily taking in offshore deposits from customers abroad with whom

The process of lobbying for further liberalisation of the new market's terms started even before its launch; and has been

steadily gathering momentum.
Yet senior Japanese bankers
who backed the creation of JOM,
together with Government
officials who have pushed it steadily off the slipway, take a more relaxed attitude. The Ministry of Finance takes the view that once the JOM proves itself useful and effective within the limited range of func-tions assigned to it in the first

in their offshore facilities.

In two syndicated dollar loans put together by Bank of Tokyo for Thailand and Indonesia since the JOM was set up, Japanese mutual banks, regional banks and credit unions put up contributions funded from their dollar deposits in offshore accounts. The two deals each carry floating interest rates based on London Interbank Offered Rate for three or six month eurodollars as a protection for the lenders against sudtions assigned to it in the first phase, the time will be ripe to consider lifting some of the remaining constraints which irk the banking community.

By January, 181 banks had opened JOM accounts, initially transferring some \$55bn into them. The biggest contributors appear to have been the Japanese city (commercial) banks, though Mr Yusuke Kashiwagi, chairman of the Bank of banks, though Mr Yusuke Kashi-wagi, chairman of the Bank of Tokyo and a long-term suppor-ter of the creation of the JOM, says that Japanese regional banks have also been active. At the end of December, when the market had been operating for a month, total assets stood at \$93.7bn, slightly ahead of ear-lier forecasts, according to figures published by the Minis-try of Finance. tion for the lenders against sud-den movements in their cost of funds. Innovative though this business is, however, it falls an insurance policy," says the head of a big US bank's Tokyo office.
The market has to develop a

modelled more closely on those of the New York international banking facility—emphasing "out-out" transactions that cannot affect the banking system of the host country—than on the London-based Euromarkets, which in most relevant respects which in most relevant respects
now function under the UK
domestic regulatory umbrella.
Japanese residents cannot
hold JOM accounts. Japanbased financial institutions,
whether Japanese or foreignowned, must keep their daily
movements of fines between
domestic and JOM accounts
within a margin of 5 per cent of

try of Finance.
The rules of the JOM are

Government, already steering a complex tax reform package through the Diet, the fine-tuning of the JOM is unlikely to be a high priority.

According to Mr Kashiwagi of Bank of Tokyo, however, the Government could lower the rate of taxation on profits from JOM business through adminwithin a margin of 5 per cent of the volume of the JOM accounts average operating balance in the previous month. At the end of each month, there must be no net monthly inflow from domestic accounts into JOM accounts.

Funds deposited from outside
Japan into JOM accounts may
come in any currency. However,
they can be held only on shortterm deposit and cannot be
used to purchase Japanese
securities, certificates of
deposit or other negotiable
instruments. Transactions have
to be completed on the same
day, further reducing the possibilities of using the JOM for
currency arbitrage.

As if all this were not enough
to make prospective users of the

day, further reducing the possibilities of using the JOM for currency arbitrage.

As if all this were not enough to make prospective users of the market think twice. JOM transactions are also subject to Japanese domestic stamp duty and taxes of about 20 per cent. So who does use the JOM, and why?

One of the MoF's original purposes in setting up the offshore market was to broaden the international experience and extend the funding base of

extend the funding base of Japanese regional banks and

operation agreement.
Paribas, the recently priva-tised French investment bank,

they had little previous contact.
Under JOM rules, these funds
cannot be put to use in the
Japanese domestic business of

the accepting institution, but

they are available tofund len-ding outside Japan. Several loan deals have already been put together in which Japanese regional banks have subscribed on the basis of funds deposited in the interface facilities.

well short of a fully operational offshore market such as London's or New York's.

"At the moment, we see it as

genuine offshore depositor base before it can take off," says one

British banker in Tokyo. The problem now is that the players are essentially the same as those onshore."

There seems to be general agreement among bankers in Tokyo that the first step to be taken to make the JOM attract

more business should be the lowering of tax rates on the mar-

ket. Removal of stamp duty would require legislative action, and hence would take both time and a firm political commitment. For the Japanese Government, already steering a

in their offshore facilities.

bank's general manager in Tokyo, expresses satisfaction at the first few months of this business, in which Barclays has joined up with Toyo Trust in what it calls a very fruitful co-

lays strong emphasis on what Mr Remy Caillaux, its chief in Japan, calls the provision of value added—"which is easier to supply in a less-than-perfect market. In a perfect market in Japan, only muscle power would count." Parihas has been a leading force in the booming market for currency swap-driven Euroyen bonds, and claims the honour of having launched the first currency-hedged issue on the Euromar-kets (for Japan Development Bank) in 1981.

Mr Paul Hofer, head of Credit Suisse in Japan and current chairman of the foreign bank-ers' association in Tokyo, is a firm believer in the dismantling of the remaining obstacles to a free market—although Credit Suisse itself has long enjoyed a comfortable place in the highly comfortable place in the highly specialised business of bringing convertible bond issues for Japanese companies in the

the big unresolved issues in the Japanese banking market are: the need to sweep away the remaining controls on interest rates, and the need to strengthen the mechanisms of the money market. Although none of the control that remains is specifically directed at foreign banks, the effect of all of them is to put the foreign banks at a relative disadvantage in terms of their funding costs.

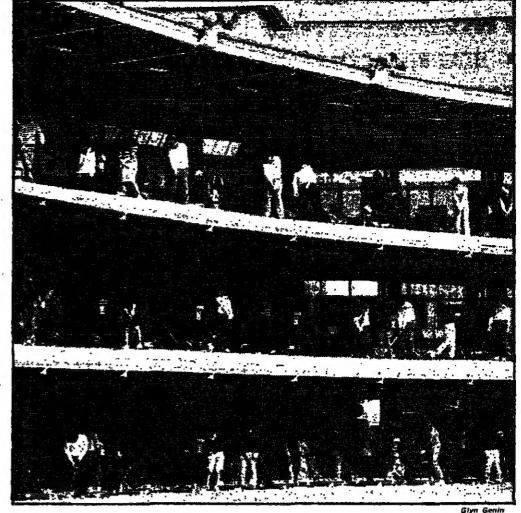
Given better access to the Bank of Japan's rediscount window, more efficient brokerage in the interbank market, a fatter in the interbank market, a fatter slice of the Japanese government bond market and less cumbersome reporting requirements, foreign bankers would agree that the playing field would be something much closer to level. Mr Hofer would also welcome greater scope to deal in precious metals. deal in precious metals.

Yet all this leaves out what virtually every foreign banker stresses is a crucial issue—per-sonnel. If there is one factor that could make an irrelevancy out of even the most perfectly out of even the most perfectly level regulatory playing field, it is the looming shortage of qualified Japanese or Japanese-speaking staff. "Personnel, not deregulation, is the real issue

"You have to remember that it is a relatively new phenomenon for Japanese to join foreign firms and banks," says Mr Cail-laux of Parioas. "We have spent a lot of time on recruiting and on creating an environment in which they feel comfortable. We hope we can be better than our rivals not just in integrating Japanese staff into our culture but in helping the Japanese to integrate better into the rest of the world. We are looking for people we can train to fit into our operations anywhere in the world."

Mr Martin, at Barclays, walking through a dealing room where only one or two members of the staff are non-Japanese and scarcely more than that over their early 30s, believes there will be an enormous harvest to be reaped by those foreign institutions willing to make the commitment to build up staff and business. "The problem in Japan is not the authorities; we have always found them to be understanding and co-operative. The problem is that Japan has not been sufficiently tried." Mr Martin, at Barclays, walking

Adrian Dicks



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Adrian Dicks

Graduates one answer to the staff problem

paint and newly-laid carpet, but Tokyo's foreign securities firms are rapidly establishing them-selves. Only three foreign securities companies had received licences for branches in Japan by 1980, but since then the pace has

Thirty-four branch representatives turned up at a recent meeting with the securities bureau of the Ministry of Fi-

bureau of the Ministry of Finance, and there could easily be another 20 or more serious applications in the pipeline. The MoF grants new licences in half-yearly batches.

A dozen of the top US investment banks are licensed, and around the same number of British firms (though several of these are owned by American or European commercial banks). European commercial banks). Elsewhere there is a group of five German bank offshoots, and a sprinkling of Swiss, French

and Dutch contenders.

The foreigners range from Salomon Brothers, which has announced a proposed increase in paid-in capital to over Y50bn. or more than \$300m (making it actually the fifth best-capitalised securities firm in the whole of Japan, after the domestic blg four), to one or two European banks whose securities exper-tise is not of worldwide fame.

The British have arrived in vestment has long been a Brit-ish priority; but the expatriates who ran one-time investment listening posts have been sur-prised to find themselves in the middle of one of the hottest

NET PURCHASES OF STOCKS (bn YEN)

1984 Q1 Q2 Q3 Q4	Foreigners - 199 - 876 - 246 - 261	Japanese financia institutions 167 337 205 278
1985 91 92 93 94	74 -442 -269 -413	250 457 298 114
1986 Q1 Q2 Q3	164 -565 -2,136	251 776 983

international capital markets in the world. Now the Americans are flooding in, attracted by the potential business attached to the huge capital flows now leaving Japan. Some \$130bn flowed out in 1986, and although the rise of the yen and other trade pressures on Japan may erode the surplus a

Japan may erode the surpus a little in future, nobody expects it to shrink substantially.

The best place to build up a capital-markets business is at the source of the capital. That is why the Japanese financial institutions shot up the Euromarket new issue league tables last ket new-issue league tables last year, much to the annoyance of the Americans and the Euro-

London can still hope to pros-per as an entrepot centre, but New York has been suffering as the big capital flows have come under the control of the

Japanese. For the leading US invest-ment banks it has therefore become imperative to build a presence in all the three major world centres. New York. London and Tokyo, even though Tokyo has become a very expensive place in which to operate by the standards of the other two locations.

Though many are losing money, a few are managing to make ends meet. "Productivity per person is high," says Mr Eugene Atkinson, who heads the Tokyo branch of Goldman Sachs, now an affiliate of Sumitomo Bank which bought a small stake in the New York invest-ment bank last year. Office space is hard to find.

and people still more so.

"There are probably more headhunters here than anywhere else," says one securities

Numbers are exploding. Salomon Brothers' staff rose in number from 30 to almost 200 last year, while Goldman Sachs jumped from 53 to 170 and will top 250 by the end of this year. The British firms tend to be rather more cautious: Warburg has 120 people after being in Tokyo five years, and Jardine Fleming is at about the same

FOREIGN SECURITIES DEALERS IN JAPAN according to 1985-86 pre-tax profits) Pre-tax profit Sept 85 employees Sept 86 Sept 86 1,698 1,395 552 493 404 378 345 167 165 67 38 (71) Salomon Brothers 147 104 311 47 226 67 94 80 174 577 (15) 237 Bache Morgan Stanley W. I. Carr First Boston S. G. Warburg

Source: Nikkei Newsletter on Bond and Money

and the more farsighted foreign ing in rapidly increasing securities firms are now hiring volumes. Mr Tim Ferguson, new Japanese graduates (in-cluding Japanese with Amer-ican MBA qualificiations). War-burg snapped up 12 out of 200 domestic investors are to deal graduates who applied last

Vickers da Costa Kidder, Peabody Smith, Barney

Goldman, Sachs

year.

But many of the foreign securities houses suggest that it is much easier to hire Japanese staff than it was a few years ago when the foreigners' credibility was much less established.

Office space is hard to find, and people still more so. "There are

probably more headhunters here than anywhere else," says one securities branch head.

Moreover, they are finding it easier to make contact with Japanese financial clients than a number of them had anticipated. "We have been encouraged by the amount of business we have been able to develop with Japanese companies," says Mr Hugh Trenchard, who heads Kleinwort Benson's Tokyo

Kleinwort is one of the longer established foreign operations, having been around in one guise or another since 1970, and it was in the top 10 of the league table of Japanese convertible and equity warrant issues for 1986. On the broking side, Mr Kenneth Lucas, of James Capel, finds Japanese institutional investors responsive to a westernstyle research-based service even in domestic equities. "The Japanese are very interested in the global view of their major stocks," he suggests.

level.

It is still difficult to recruit

experienced staff from the Japanese institutions are looking for a service in the foreign securities which they are hold-

with foreign houses here."
In most other fields Japan is reckoned to be a very hard nut to crack, but its institutional investors are keen to open up the

Mr Shohei Yamada, inter-national chief executive of Mitsui Trust and Banking, remarks that the institutions are more interested in price than patriotism. "We often use the foreign securities houses," he says. "Their presence contributes to a really competitive market in

Japan."
Whether the foreign firms will continue to receive such a welcome in the longer term is not so certain. Japan's reputation for erecting informal barriers against outsiders has been a source of contraversy in many source of controversy in many other sectors.

The Japanese securities houses hint darkly that, in due course, they will snatch back their clients. "We like to see foreign houses come to Japan to educate our clients," says Mr Yasuo Kanzaki, executive vice-president of Nikko Securities. "They are helping us."

Certainly, some of the foreign firms are concerned that their harm governments are siving

home governments are giving away far too much to the Japanese houses, in terms of primary dealerships, banking licences or stock exchange memberships, before the Japanese have adequately reciprocated.

Protectionism may not prove to be the real long-term prob-lem, however. The underlying challenge could well be that, once the Japanese securities houses, and some of the other domestic financial institutions, get their global acts together, they will prove to be formidable

Barry Riley

Postal savings

Concessions replace tax-exemption

THE IMPOSSIBLE is happening at Japan's government-controlled Postal Savings Service. Less than a year ago, civil servants at the Ministry of Posts and Telecommunications were vehemently opposed to any changes in the tax-exempt stathis enjoyed by savers at the Postal Savings Bank. After all, the Postal Savings was the largest single deposit-taker in Japan. If the tax-exemption was Japan. If the tax-exemption was eliminated, they argued, savings would go down and the Ministry of Finance could find itself with significantly less funds to finance the national deficit.

Today, officials at MPT are singing a different tune. After months of political and bureaucratic haggling, the tax-exempt status of small deposits was thrown out the window as rapidly increasing

was thrown out the window as part of a sweeping overhaul of Japan's tax system presented to the Diet earlier this year. Although the tax-reform package has not yet been approved, its basic structure is expected to pass the Diet unscathed. As a result, the Postal Savings Bank is busily preparing for a new

is busily preparing for a new life.

Complaints have all but disappeared. Today, Postal Savings Bank officials talk of "new opportunities." They now recognise that the tax-exemption enjoyed by depositors of Y3m or less was seen to the outside world as subsidised savings. Japan is now under heavy pressure to save less and spend more, ure to save less and spend more. especially on imports. So concessions to savers had to go. But the Postal Savings Bank has been given some interesting new concessions in order to soften the blow. These opportuni-ties, it believes, will allow it to continue to thrive.

"Our reaction is neutral. If we manage well, we can do well. This agreement only gives us the measures" by which the Postal Savings Bank can successfully change directions, says Mr Hiroyuki Osumi, director of International Service Division of the bank.

. The most significant of these measures is the right to sell government bonds over-the-coun-ter at any of its 23,000 offices and agencies throughout the country. Further, it will be able to extend loans to customers who use the bonds as collateral. Of perhaps equal signifi-cance, however, is the bank's

right to manage a portion of its funds itself. Under the agreement between the Government and the ruling Liberal Demo-cratic Party on the Postal Sav-

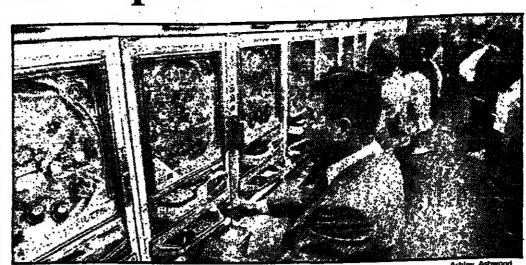
> Capitalised interest Net gains

(new deposits)

10,000 Yen billion

4,000

2,000



Save less, spend more, Japan is being urged . . . Pachinko, a minor national preoccupation, offers prizes such as dolls and packets of cigarettes.

PERSONAL SAVINGS:	Yen bin	%
Postal savings system City and regional banks Agricultural and fishery co-operatives Shinkin banks Sogo banks Credit co-operatives	100,086 99,696 40,474 36,717 22,789 9,561 4,783	32 32 13 12 7 3
Labour credit associations		

restricts investment to govern-ment and municipal bonds, pub-lic corporate bonds, bank officials expect net gains in debentures, short-term deposits deposits this year to be at financial institutions, princi-unchanged at Y500bn. the Ministry of Finance.

Despite these concessions, however, the bank will have a

Annual trend in Postal Savings

Postal Savings Financial Deregulation Fund is to be established. In fiscal 1987, the fund will be Y2,000bn, funded by a hit the lowest point for more loan from the Ministry of than a decade. Bank officials Finance's Trust Fund Bureau blame the drop on record low against funds deposited by the Postal Savings. Half of this government-controlled bank money will be earmarked for suffered more than commercial underwriting newly-issued government bonds, but the other money will be earmarked for underwriting newly-issued government bonds, but the other ding to government estimates, half will be available for self-management.

Currently, the agreement compared with

pal guaranteed monetary trusts and designated corporate and foreign bonds. This fund will be "This is true for anyone. But we expanded each year by Y500bn until 1991, when an estimated 10 vices throughout the country, per cent of the bank's total even the most remote areas. So funds will be under internal we have to work hard at finding management. The rest will constitutive services and keeping tinue to be under the control of our costs down."

He points out that some sceptics say that the abolition of taxexemption on small deposits

will only encourage the thrifty Japanese to save more. "My personal guess is that savings will go down," he says. Already, however, he says the bank is planning to expand its automated-teller machine network, increase its marketing of its credit card service and, of course, make the most of its new ability to market government bonds make the most of its new ability to market government bonds and small loans.

Further, he points out that the maximum deposit amount for individual savers will be raised from the current Y3m to Y5m. Banking analysis expect that further concessions will be made to the bank once the trend on savings becomes clear.

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will only encourage the thrifty

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Postal Savings are very easily expandable," says Mr C. Tait Ratcliffe, president of International Business Information, a financial research organisation. tion in Tokyo. "The bank is too important a source of funding for the Ministry of Finance to let its business decline signifi-

The Government may have to move more quickly than it had planned. According to Bank of Japan figures, individuals put four times as much money in investment trusts last year, while growth in bank deposits and postal savings together fell by nearly 30 per cent. Further, investors are becoming increasingly attracted to single premium (lump-sum) life insur-ance contracts which offer returns as high as 7 per cent. The Post Office is expected to

hold its growth steady at last year's levels, but is unwilling to estimate what will happen in 1988. Already, the Government has been careful not to offend securities companies and banks which sell bonds by setting various restrictions on sales. The sales of bonds by the Postal Bank, which will begin on Octo-ber I, will be restricted to Y5m a customer. This is aimed at preventing corporations from purchasing government secur-ities from the Postal Bank and confining the sales to indi-viduals. Also, the tax-exempt savings of the elderly and other protected groups will not be allowed for use to purchase bonds from the Postal Bank.

Further, government bonds' principal and interest may be paid into ordinary savings, but the Postal Bank may not create financial instruments combining fixed deposits and government debts. And currently, loans against government bonds will be limited to Y2m a customer.

The Postal Savings Bank, as a result, will be confronting a steep learning curve over the next 18 months.

Carla Rapoport

Retail banking

New mood suits the quick movers

A foreigner visiting

ail banking services appear
be surprisingly backward,
ast amounts of money are still
loved around by men on bicyles, cash-dispensing machines
do not operate later than 7 pm,
and cashing a travellers' cheque
can often absorb the better part
of an hour.

But Japan is not a consumeroriented society. It is serviceler banks, it is already clear that
those who are adapting best to
the new liberalised environment are those which can move
the quickest. Loans to consumler those which can move
the quickest. Loans to consumler sample, an area which
least

loans (mortgages plus percent
loans (forer 1.136 per cent net
profit ratio, which
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loans (forer 1.136 per cent net
profit Personal loans alone give
an average of 1.969 per cent.
Not surprisingly, the bigger
banks like Sumitomo are falling
all over themselves to package
the quickest. Loans to consumhigh school students. "The
general trend towards high savings will remain the same in
lapan. Deposits will be high.

"Togy young people, the
"Togy of the profit ratio, which
as measure pushing into relatively underdeveloped areas, such
as consumer finance, with
as consumer finance, with
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would like to protect the smaller banks, it is already clear that
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The profit personal loans alone give
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The profit personal loans alone give
an average of 1.969 per cent.
The profit personal loans alone give
an average of 1.969 per cent. consumer, this is good news. For the industry, it means serious challenges and change.

Almost all of Japan's many kinds of banks and banking co-operatives offer some kind of retail banking services. But the banks that offer the widest range of consumer services are the city banks. These banks, according to Japanese law are according to Japanese law, are prevented from engaging in the securities business. Japan has 13 city banks, ranging from a world-wide colossus like Sumitomo Bank to the little-known Hokkaido Takushoko Bank based in the north.

Until recently, the Ministry of Finance's regulation of the sec-tor has been geared to the weakest member. For example, 24-hour automated teller machine service will not be allowed until every bank can afford to install the computer back-up needed to support it. Not surprisingly, as a result, many city banks are complainmany city banks are complain-ing that some recent financial nance at Sumitomo, consumer number of changes, either furth-

the bank's fastest growing ousiness sector. It also points out that they can lure new deposits that its new consumer loans in that they can lure new deposits with its special loan services and thus resist the increasing the amount of loans the Hoktend toward securification current 15 per cent. "Right now its considerated and the securification of the securification of the securification at the end of 1985.

plough into new businesses, according to analysts. The Govplough into new businesses, according to analysts. The Government still maintains a ceiling on interest rates for consumer lending. The current ceiling is not profitable for us," says Mr Nagao Hashimoto, manager of international affairs of the substitute of the sector. Magnars will be a said a banker recently.

Further, the banks complain about what they call the "neighbour's turf" problem. Recent about what they call the "neighbour's turf" problem. Recent can't, most analysts are expecting more mergers to take place ities companies and long-term ities companies. tion of Japan.

Mr Hashimoto, of course, is speaking from the point of view of the entire banking community, which includes regional banks and co-ops. But according to Mr Hiroshi Watanabe, assis-

the last few years, earn the bank a measly 0.253 per cent in net profit ratio, while consumer city banks, despite the abolition

1986, totalling Y450bn, is twice the amount of loans the Hok-kaido Takushoko Bank has handled in 50 years.

It is the sheer size of the big rates, such as trust banks and banks that allows them to plough into new businesses.

With its special loan services and thus resist the increasing trend toward securitisation among investors. "You'll find companies with higher interest rates, such as trust banks and securities companies, are weak-

international affairs of the within the sector. "Mergers will Federation of Banks Associable the natural trend. It's fair to say we have too many banks in Japan. Theoretically, the num-bers are too high, but politically, it will be hard to adjust to mergers and restructuring quickly," says Mr Hashimolo.

In order to level the playing

er liberalisations or changes to those which have already caused more harm than good. The banks argue, among other things:

of tax-exempt status for small savers. For example, the Postal Bank, which is government-con-trolled, does not need to pay trolled, does not need to pay deposit insurance, stamp duty, property taxes or regional or local taxes. Nonetheless, it will soon be allowed to sell government bonds over-the-counter.

• Credit Cards: banks are prohibited from issuing credit cards which operate on the deferred payment plan, but only immediment are those which can move the quickest. Loans to consumers, for example, an area which was virtually a non-business 10 dents, new parents, and even high school students. "The years ago, grew by a healthy 15.6 per cent in the year ended last a June for the 13 city banks.

At Sumitomo Bank, however, is consumer loans advanced by 36 per cent in the year ended last December. Sumitomo says it is December. Sumitomo says it is The large banks are confident The large banks are confident The large banks are confident to see allowed to see ment bonds over-the-counter.

Credit Cards: banks are prohibited from issuing credit cards which operate on the deferred payment plan, but only immediate payment system like the American Express card. As the Jaganese prefer the instalment cards, banks had issued only 26m cards out of a total 87m in circulation at the end of 1985. it sounds good, considering the low discount rate, but who knows where the discount rate will be in three or five years?" said a banker recently.

Further, the banks complain about what they call the " point.

ities companies and long-term institutions. "Concerning the focus of the retail bank, we are at a disadvantage," says Mr Hashimoto. No doubt, as the industry con-

tinues to lobby for change, the split between the big and small banks, however, is bound to con-

Carla Rapoport





Saitama Bank. A sound banking system matched to new banking needs.

Trade financing? Syndicated loans? International securities? In these and other areas of international banking Saitama Bank has established its capability and credibility worldwide. For over 40 years we've built our solid base and sound banking system in the Tokyo metropolitan area, Japan's vigorous

economic center.

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Japanese Banking and Finance 9

Mergers and acquisitions

The social climate starts to change

JAFAN HAS long been a hostile environment for those interested in mergers and sequisitions (M & A). Shares of most companies are tightly held by friendly banks and ether institutional holders, and so contested takeovers and associated phenomena like greenmal are virtually unknown.

However, as in so many areas of Japan's financial life, change is in the air, and dorens of banks and sheep in the air, and dorens of banks and sequifies houses.

The first sign of change is the sudden surge of overseas acquisitions by Japanese companies preferred to establish persitions by Japanese companies preferred to establish operations greated the dollar has forced many to previous many takeover and the sudden surge of the second in operations and the major production abroad in operations are even going into the debt markets to procure a summer, and Fujition when the deliar has forced many to previous many takeover. The generally high level of corporate liquidity has made the sudden surge of overseas either through joint ventures or green field plants. But the phenomenal like green has a state of the production abroad in operations are even going into the debt markets to procure a summer, and Fujition when the deliar has forced in anticipation of rapid growth.

Many US investment hanks, Japanese commercial banks, Japanese commercial banks of corporations

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It scored several firsts in the

base from Japanese Government-related and company names to include foreign entitles.

By extension, the bank has built on its swap market expertise to develop the use, through its

operations can be pruned and out of five would be getting the company restructured so more than half of their turnover that the American company can from their overseas subfit Japanese needs.

Japanese trading houses, such as Mitsubishi and Mitsui, are also moving into M&A. Last month, Mitsubishi revealed a plan to set up M&A operations, both in Japan and the US, for Japanese customers. M&A business is expected to help Mitsubishi achieve its strategy of becoming a trading company that functions like an investment bank.

Mitsul, on the other hand, has been working for its own account. Through a business tieup with Merveille Management Corporation, au MAA company in Pittsburg, it carried out a leveraged buyout of a car component maker and a department store in the US. Mitsul has plans for more leveraged buyouts in the uear future.



It scored several firsts in the West German market, where Japanese banks have only recently begun to build up business, and continued to share in the thriving bond issuing business for Japanese companies in the Swiss market.

Most striking was the growth of the euroyen bend sector last year. The Bank of Tokyo served as lead manager for five, and colead for another six, of the 80 issues launched during the 1985-86 fibancial year to March. The bank was a pioneer of the currancy swap concept, which has provided much of the power behind Japanesa corporate borrowers' solivities in the euroyen market. It set up a special swap fibance group to handle this rapidly growing business and broaden the client base from Japanese Governments. Y80bn arranged for Canada — and by constructing 20-year, transferable deals such as the Y30bn package for the world bank

In addition to these eye-catch-ing capital market and leading activities, the bank maintains a broad network of branches, subsidiaries and other affiliates throughout the world, providing

on its swap market expertise to develop the use, through its overseas affiliates and branches, of overseas financial services to Japanese currency and interest-rate position. The Ministry of Finance is likely to rely heavily on the Bank of Tokyo's experience when it next fermally considers the wisdom of permitting financial futures business to take place in Japan itself.

The bank has also long been a driving force in syndicated lending abroad by Japanese institutions, whether to insversign borrowers during the 1970s and early 1980s, or to big projects such as Australia's North-west Shelf natural gas export project, in which Japanese trading companies and utilities are closely involved.

In the financial year ended last March, Bank of Tokyo acted as lead manager for a total of 89 syndicated loans in foreign currences worth a total in dollar terms of \$29.8bn. The bank's own dollar-denominated overseas loan business rose by 13.7 per cent (though it fell 18.8 per cent in yen terms because of the US currency's decling).

Tracet and Donalize of the sidiarles and other affiliates throughout the world, providing financial services to Japanese cllents.

The common thread is not merely a continuing, aggressive drive for pew business which saw #4.0.4 per cent input in net 1985-86 business year to Y47.2 bn from Y33.6bn the previous year, despite a virtual stagnation of assets at Y20,580bn. One of Bank of Tokyo's strengths is a sense of purpose; what Mr Kashiwagi calls, "A private bank with quasi-public responsible individuals and the previous year, despite a virtual stagnation of assets at Y20,580bn. One of Bank of Tokyo's strengths is a sense of purpose; what Mr Kashiwagi calls, "A private bank with quasi-public responsible individuals and the previous year, despite a virtual stagnation of assets at Y20,580bn. One of Bank of Tokyo's strengths is a sense of purpose; what Mr Kashiwagi calls, "A private bank with quasi-public responsible to the previous year, despite a virtual stagnation of assets at Y20,580bn. One of Bank

Profile/Bank of Tokyo

A sense of purpose

At the height of February's market.

THE BANK of Tokyo, designated in 1854 as Japan's specialist foreign exchange bank. Is probably still the esuntry's single best-known financial institution abroad. As a prominent player in the world's principal foreign exchange markets, a lead manager of securities issues in the euromarkets and an arranger of syndicated you financings, its name is, for many people outside Japan, virtually At the height of February's foreign exchange market volatility, the Bank of Tokyo was handling about 10 per cent of total yen/dollar trading in the Tokyo foreign exchange market, according to Mr. Yusuke Kashiwagi, its chaltman. Most experts in Tokyo estimated the volume of dealings between the two currencies during the period at \$500.510bn a day.

issues in the euromarkets and an arranger of syndicated you financings, its name is, for many people outside Japan, virtually synomonous with that of the nation.

From its early days, the bank built up a network of branches and offices to service and to finance Japan's rapidly growing foreign trade. It was aimost alone among Japanese companies, too, in recognising the world abroad. It can alaim that virtually every member of its board of directors has served overseas, with the average a startling 11 years of living and working outside Japan.

In recent years, the areas set aside for it by the foreign exchange bank law have become easier territory for rival institutions to enter, as Japan's financial liberalisation.

Yet the Bank of Tokyo has generated by Japanese banks, is still debarred from operating within its financial liberalisation has gathered momentum.

Yet the Bank of Tokyo has separated by Japanese dompanies. Althrough it did not reak among the top 20 in the loveling been the bank's proud claim that it handles some 15 per cent of Japan's total foreign exchange transactions related to imports and exports.

BANK OF TOKYO: FINANCIAL HIGHLIGHTS

_	1986	1985	Change
Net Interest Income Taxes,	177,834	194,834	-8.7%
Minority interest, Amortisation of Goodwill and Equity	91,0 99 47,292	99,800 33,693	-8.7 +40.4
Total Assets	20,580,147 9,312,956 2,080,404 10,430,647 3,193,772 401,609	20,561,513 9,498,942 1,883,000 11,464,741 2,539,902 325,064	+0.1% -2.0 +10.5 -9.0 +25.7 +23.5

(year end March 31)

Profile/Mitsubishi Trust and Banking

TRUST BANKS have long played the role of plain Jane in Japan's highly segmented financial system, seldom attracting attention, seldom lanowaling.

But changing capital market trends and liberalisation have been are presentable for taking money in the bank's real extract and operating in the securities markets to employ their generally long-term assets in high-yield instruments.

In the currentests. In Japan allow yields on conventional investment instruments, their services have been in great demand.

Trust banks also have the excitations have become a growth sector. In recent, years as corporations have become an growth sector. In recent, years as corporations have become an growth sector. In recent, years as corporations have become an growth sector. In recent, years as corporations have become more prosperous and the population's average age has risen.

Mitsubishi Trust and Banking, the largest of the irust banks, as hear particularly ignorus. In exploiting the new opportunities. In the six months to September 1996, pre-tax profits surged 72.8 per cent to a recort Y60bn. The bank anjoyed a widening spread on its loan business as a result of the limelage between the impact of falling interest rates on funding costs and the impact on loan revenue.

It also benefited from the fast growth of the securities-related

The bank moved into aircraft financing on the grounds that the number of aircraft suppliers was limited and prices would not plunge as in, for example, the shipbuilding sector. Also, the US tax reform nullified the competitive edge of the US leveraged leasing system.

In April last year, Mitsubishi Trust and Mitsubishi Corporation Group expanded their exposure to the aircraft financing field by taking a 22 per cent equity participation in the Irish Guinness Peat Aviation (GPA) group, the world's largest aircraft leasing company. Last November, the same group bought a 25 per cent stake in GPA Fokker 100, a newly established joint aircraft leasing venture between GPA group and Fokker to lease 100-seater Fokker aircraft.

The ventures with Spectrum arranged the innovative aircraft financing for British Airways' recent purchase of 16 long-rangs Boeing 747s. Within the framework of a \$2.3bn credit line, set up by the banking syndicate against the collateral of the 16 aircraft to be purchased by BA, the airline company can raise cheap cost funds flexibly through the issuance of commercial papers or the flotation of corporate bonds.

Mitsubishi Trust believes this type of arrangement will be widely used by other airline

type of arrangement will be widely used by other airline companies

Yoko Shibata

sale are sometimes too big in of Keidangen member com-business scale for a would-be panies are likely to have carried Japanese buyer, but often out some M&A activity, and one sidiaries.

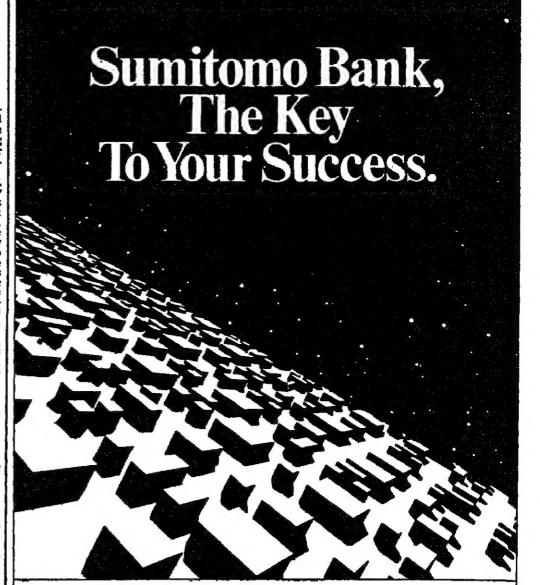
Meanwhile, in Japan itself,

the M&A scene is still very the M&A scene is still very quiet. Mergers and acquisitions tend to occur only as a last resort for a company in distress. The most prominent example last year was the takeover by Sumitomo Bank of Heiwa Sogo Bank. Acquisitions of Japanese companies for foreign groups is even more rare, the only large cases in recent years being the takeover of Osaka Sanao by Britain's BOC group in 1982 and that of Banyu Pharmaceutical by Merck of the US in 1983.

Apart from the social atigma, by Merck of the US in 1988.

Apart from the social stigma, the large number of stable cross holdings of shares between banks and industrial companies has been a major practical deterrent to M&A within Japan. In some major corporations, stable shareholdings account for up to 60 per cent of the total

Yoko Shibata



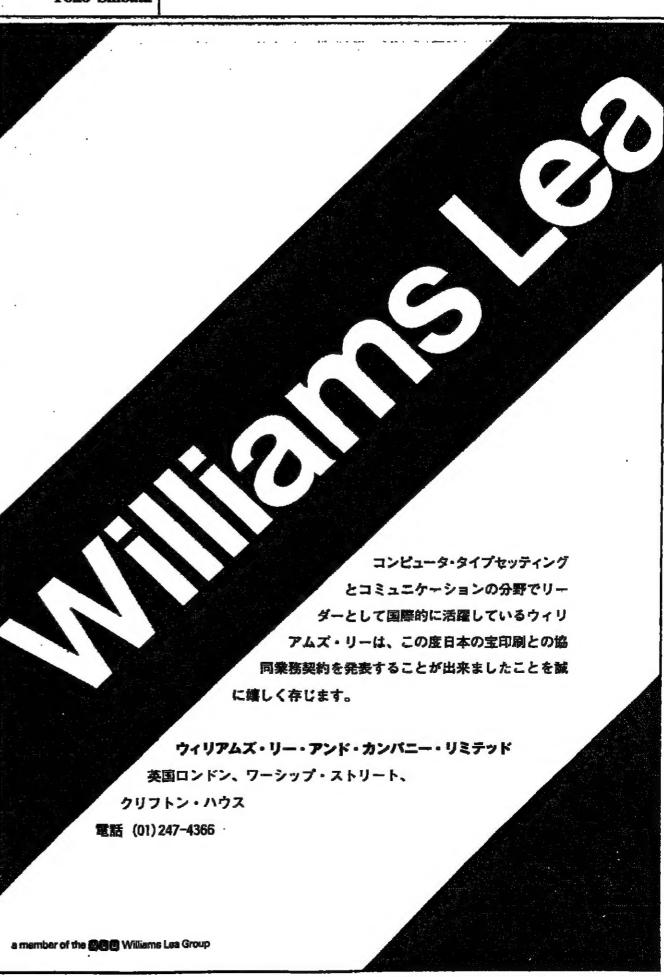
The relaxation of regulatory measures in the world's financial markets is reshaping the structure of the financial services industry, which, in turn, is further diversifying the already sophisticated needs of our customers.

Always sensitive to these needs, Sumitomo Bank responds by offering the right service at the right time. How do we do it? Flexibility and innovation — key factors in our continuing success. And in yours as well.



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Can the Tokyo pacesetters in the world financial league stay ahead? FT writers assess their form away from home

Taking a relaxed view of ratios

In London, says CLARE PEARSON, Japanese institutions' position is attributable to economic fundamentals, quite apart from cultural and supervisory factors.

OVER THE last five years, bankers have observed with alarm the rapid rise to prominence in international banking of the Japanese institutions. More recently, they have been faced with another challenge: the equally dogged ascent of the Japanese securities houses in the London-based Eurobond

The Japanese houses' onward march was underlined at the march was underined at the end of last year when Nomura, the largest of the "big four" securities houses, shot from eighth to second position in the book-running league

Both the banking and Euro-bond market communities complain that the Japanese are squeezing competitors out of the market with a price-slashing approach to winning business.

The Japanese agree that their success owes something to an attitude towards business that attitude towards business that is worlds apart from, say, the "relationship" approach of the British clearing banks.

"But we are merely carrying out the competitive policies we are used to at home" says Mr Kunio Seiki, general manager in London of Industrial Bank of

As far as the banks are concerned, their success is at least in part attributable to the Japanese authorities more relaxed attitude towards capital ratios. This means that the Japanese can achieve a reason-Japanese can achieve a reasonable return-on-equity on lower margin business than their US and UK competitors.

This advantage had certainly been in the minds of the US and

UK authorities when they drew up their proposals for setting common capital requirements for international banks, which were announced earlier this

year. But aside from cultural and supervisory features, the Japanese institutions' present position is also a result of economic fundamentals.

As Japan's trade surplus has expanded, the Japanese have found themselves becoming the world's largest creditors. The banks rose at an decline of the dollar has pro-



Nomura Securities' dealing room in London . . . the firm is one of those that has stepped up its research into UK

ence on the back of the increased use of the Euroyen as

an international currency. They have also been helped by the

cumbersome mechanisms of the

domestic bond market which have enabled them to lure Japanese borrowers into the Eurobond market who would otherwise have issued in Japan. Using these advantages as a springhouse that the base of the second market who would be seen that the second market which we would be seen that the second market which was the second market which have been second market which have been second market which have been second market which have enabled them to lure Japanese borrowers into the second market which have been second market which have enabled them to lure Japanese borrowers into the second market who would otherwise have been second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would otherwise have larger than the second market who would not be second ma

springboard, they have extended their influence further—to reach the borrowers who have traditionally been the

clients of the US and European

They have been able to price deals more keenly than their US and European counterparts, partly because they have a reliable client base back in Japan

vided them with an opportunity In the Eurobond market, the to expand their Eurodollar Japanese have risen to promin-

business, because their capital bases are in yen.

According to the latest Bank for International Settlements report, the Japanese banks have nearly doubled their international assets of £1,019.4bn over the last two years. London has been a key centre

for their international opera-tions. According to the Bank of England quarterly bulletin, September 1986, during the ten-year period from the end of 1975 they accounted for more than a third of the total growth in UK banks' international liabilities, raising their market share from 13 to 31 per cent. Most of their business has

been concentrated in the inter-bank market, where they have expanded their lending to unre-lated banks from less than 30 per cent of the cross-border total at the end of 1975 to over 50 per cent ten years later. But during the same period their international lending to nonbanks rose at an annual rate of

While the securities houses have flourished in the Euro-bond market, the Japanese see competing directly with the banks have had to miss out. UK merchant banks in this because under the provisions of area." It is more a case of seeing Article 65 they are not allowed

to underwrite.
They are, however, able to participate in the Eurobond market through merchant bankmarket through merchant banking subsidiaries. But they are
not allowed to lead-manage
issues for Japanese companies—a thorn in their sides
since co-managements are
much less profitable.

The original intention of this
limitation was to prevent hanks

The original intention of this limitation was to prevent banks from extending the power they already wielded in the Japanese domestic market through the commissioned bank system, and to save them from making mistakes since they were beginners at the business of underwriting securities.

But the merchant-banking subsidiaries now feel they have outgrown this restriction. "We have now amassed enough strength and experience to act as a lead-manager," says Mr

as a lead-manager," says Mr Michio Sakural, managing director of Fuji International Finance. But there seems little prospect at the moment of alteration in the rules.

The attraction of London to both the banks and the secur-ities houses has been its role as an international financial centre. The banks have stepped up their sterling lending in recent years, but they have shown limited interest in the bulk of

domestic business.
This attitude is beginning to change, however. Recently the banks have been looking for business further down the scale than the "blue-chip" British companies, because as one banker said: "The Japanese are alarmed at the decline in profitability on their traditional lending."

Sumitomo and Fuli Bank have

sized company.

None has so far shown any interest in individual banking, however, although Sumitomo has set up a mortgage-lending The securities houses, mean-

and partly, their competitors would say, because they are pre-pared where necessary to take a while, are becoming keener to promote European equities with their Japanese clients who But the Japanese deny the suggestion that they are intent on carving out market share at are showing an increasing desire to diversify their port-folios. Houses like Nomura and any price. "Our final aim is to make a profit," says Mr Mesao

Inagaki, managing director and Nikko have stepped up their chief executive officer of Nikko research into UK companies to begin the educational process. But Mr Inagaki of Nikko

> existing market.
> With both Japanese banks and securities houses focusing increasingly on securities in London, it is at first sight paradoxical that Nomura should have taken the step last year of obtaining a licence to take

deposits.

But this operation, now three months old, is actually designed

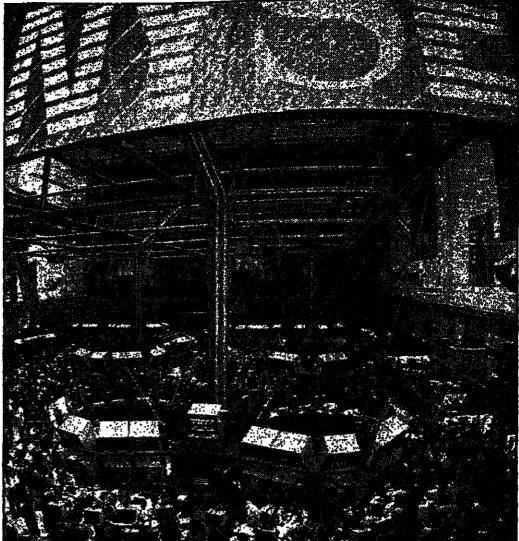
operations, and many still have scope to expand activities like foreign exchange.

The securities houses, however, may see less Eurobond business from Japanese borrowers if recent measures of the Ministry of Finance.

the Ministry of Finance designed to ease issuing proce-

designed to ease issuing procedures in Tokyo take effect.

The cloud on the horizon as far as the banks are concerned is the pressure coming from the US and the UK on the Japanese authorities to tighten capital adequacy provisions. In the event that they were heeded, the banks would be forced to improve their margins on loans.



The New York Stock Exchange . . . some critics liken the tactics of Japanese securities firms to those used in the electronics and car markets.

Fed's concession provokes resentment

In New York, says RODERICK ORAM, US offices in the UK with an eye to getting closer to the mediumtough competition more if they could have an equal crack at Japanese

markets. JAPANESE financial institu-tons are building rapidly on their successes in a few chosen fields in the US, to turn them-selves into powerful full-line firms that will pose a growing competitive threat to their American counterparts. A measure of the Japanese

securities houses, brokes to three Japanese companies achieved their long-cherished goal of winning the status of primary dealers in US govern-ment securities. Membership of the elite group, which now numbers 40 firms, is highly prized since some large institutional investors will deal only with its

members.
The decision by the Federal
Reserve Bank of New York to
confer the status on the
Japanese firms unleashed a wave of criticism, which went right to the heart of the issue of competition. Some members of US financial community and some politicians argued that the Fed should have withheld membership until the Japanese made more progress in opening up their domestic financial mar-

the territories of the second ities firms, welcome the tough competition on the home front if they can have an equal crack at Japanese markets. Tokyo has taken significant steps, but foreign firms there still face impediments.

Primary dealerships were awarded directly to Daiwa Securities America and Nomura Securities International, and indirectly to the Industrial Bank of Japan, when approval was given for a major-ity-owned subsidiary, J. Henry Schroder Bank and Trust Com-pany, to take over Aubrey G. Lanston, a small conservative firm with close ties with the

Federal Reserve.
Government securities have been a natural market for the Japanese firms to concentrate on, since two birds are killed with one stone in a handy recyc-

with one stone in a handy recycling exercise: Japan invests the huge piles of dollars generated by its massive trade surpluses in bonds that the US Government must sell to finance its equally impressive federal government budget deficits.

Tokyo's liberalisation in recent years of laws governing Japanese investors' purchase of foreign securities has greatly widened the range of customers for US government bonds. It has not been uncommon for Japanese firms to buy for clients at home half the 30-year bonds offered in a Treasury quarterly auction. The demand from Japanese and other from Japanese and other foreign investors has helped keep the bond yields lower than they would otherwise be.

The capability of Japanese firms to trade US bonds from Wall Street has grown dramatically in the past few years tically in the past few years through large-scale hiring of American staff. Reflecting growth in this and other areas, Nomura's US staff have rocketed from about 100 in 1983 to more than 560 today, Nikko's local employees have risen in the past 18 months from around the past 18 months from around 60 to 220, with plans for roughly 400 by the next year.

The wider ambitions are now

extending to such fields as corporate bond underwriting, international equities sales,

mergers and acquisitions and other investment banking acti-vities. In additon, Nomura, for example, has bought leasing and real estate firms. Some areas, such as foreign exchange dealing, are off limits to secur-tites begiese heravise of rules. ities houses, because of rules governing their parents back in

As with Treasury bonds, interest in these broader areas is prompted in the main by the need to meet Japanese inves-

need to meet Japanese investors' needs. They are beginning to get more adventurous by looking for higher-yielding and more diverse US securities.

But the Japanese clients are only a bridgehead. The firms know that they must attract large numbers of US clients if they are to become a force in the US market as part of their strategy to win a role in the global industry. global industry.

Although most Japanese firms have decided to become direct-

ly involved in the US, last year saw two hugely significant indi-rect approaches. Sumitomo Bank invested \$500m in Goldman Sachs in return for 12.5 per cent of the annual profits of the prestigious Wall Street securities firm. This deal was carefully scrutinised by US authorities because it brought together a bank and securities firm. US banks are extremely eager to get into the securities business but have been barred for more than 50 years by the

Glass-Steagall Act.
In the second link-up, a senior executive of Sumitomo Life joined the board of E. F. Hutton, a large Wall Street brokerage firm with an extensive retail network.

To some critics, the Japanese securities firms' aggressive moves to establish themselves in financial markets bear an uncomfortable resemblance to the tactics used by the Japanese in consumer electronic and car markets. The chief weapon is markets. The thier weapon is cut-throat pricing to build mar-ket share. This was apparent, for example, in the Treasury bill market last year and when Nomura won the mandate to be sole underwriter on a bond issue for General Electric, the first time a foreign firm had

played such a role.
"We're probably like anyone
else in that regard," said the
vice-chairman of one of the
other leading Japanese firms.
"If you're soing to build other leading Japanese firms.
"If you're going to build volume, you're going to have to be fairly aggressive on pricing. We made a profit overall last year but not in all areas."

Japanese banks, longer estab-lished in the US than their securities house colleagues, are just as hard-nosed on pricing. For example, they have come to take the lion's share of letters of credit used as guarantees on municipal bond issues. muncipal bond issues. Typically, they charge 40 of 1 percent of the issue's value, half the rate US banks feel is the minimum they can offer.

Last year also saw Japanese banks move into more innovative and higher risk forms of lending, such as leveraged buyouts of public companies.

Overall, it is estimated that

Japanese banks hold some 8 per cent of bank loans in the US and 13 per cent of loans in California alone, reflecting the natural urge of the banks to be heavily involved in the market closest to home. In fact, five of the largest 11 banks in the state are Japanese-owned.

In another criticism, reminis-cent of the barbs hurled in the car and television wars, some US competitors suggest that the Japanese institutions are capable of high quality copies of financial products but are weak on innovation. But this ignores two crucial facts: the Japanese became great innovators in durable goods; and all but the top echelons of Japanese financial firms in the US are staffed by Americans. But whether those Americans

and Japanese colleagues will maximise their potential hinges crucially on questions of corpo-rate culture and management style. One of the leading firms suffered defections of American traders from its government bond business last year, because of considerable fric-tion between them and their locally-based Japanese senior

managers.
"The integration of American and Japanese skills is a press-

ing problem for the Japanese," said a senior US investment banker. The stakes are huge, because they must establish a style in which managers and staff can function effectively in global markets. With the inter-nationalisation of the securities industry, fewer and fewer investment products or services could be seen narrowly in the context of a domestic market, even one as big as the US, he

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added.
Thus, the next few years will be critical for the Japanese firms in the US as they strive to

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